

CITY OF ESCANABA, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2004

Prepared by:
Office of the Controller

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF ESCANABA	County DELTA
Audit Date 6/30/04	Opinion Date 10/13/04	Date Accountant Report Submitted to State: 12/21/04	

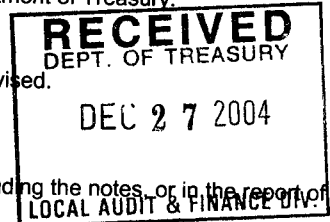
We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

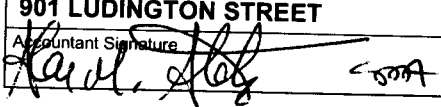
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & CO., PLC			
Street Address 901 LUDINGTON STREET		City ESCANABA	State MI
Accountant Signature 		ZIP 49829	Date 12/21/04

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Organization Chart	2
Listing of Principal Officials	3
Letter of Transmittal.	4
<u>FINANCIAL SECTION:</u>	
Management's Discussion and Analysis	7
Independent Auditor's Report	13
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-wide Financial Statements:	
Statement of Net Assets.	15
Statement of Activities.	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.	20
Statement of Net Assets - Proprietary Funds.	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.	22
Statement of Cash Flows - Proprietary Funds.	23
Statement of Fiduciary Net Assets/Statement of Changes in Fiduciary Net Assets	24
Notes to Financial Statements.	25
<u>REQUIRED SUPPLEMENTAL INFORMATION:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.	59
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Grants Fund	73
<u>OTHER SUPPLEMENTAL INFORMATION:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds.	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	76
<u>General Fund:</u>	
Comparative Balance Sheet.	78
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	79
<u>Special Revenue Funds:</u>	
Combining Balance Sheet - Nonmajor Special Revenue Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds.	83

TABLE OF CONTENTS

	<u>Page</u>
<u>Special Revenue Funds: (continued):</u>	
Major Street Fund:	
Comparative Balance Sheet.	85
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	86
Local Street Fund:	
Comparative Balance Sheet.	87
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	88
Parking Maintenance Fund:	
Comparative Balance Sheet.	89
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	90
Downtown Development Authority Fund:	
Comparative Balance Sheet.	91
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	92
Brownfield Fund:	
Comparative Balance Sheet.	93
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	94
Drug Law Enforcement Fund:	
Comparative Balance Sheet.	95
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	96
Library Fund:	
Comparative Balance Sheet.	97
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	98
Housing Rehab Fund:	
Comparative Balance Sheet.	99
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	100
Grants Fund:	
Comparative Balance Sheet.	101
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	102
UDAG/DIAL Grant Fund:	
Comparative Balance Sheet.	103
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	104
E.D.A. Revolving Loan Fund:	
Comparative Balance Sheet.	105
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	106

TABLE OF CONTENTS

	<u>Page</u>
<u>Special Revenue Funds:</u> (continued)	
Farmers Home Grant:	
Comparative Balance Sheet.	107
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	108
M.S.C. Revolving Loan Fund II:	
Comparative Balance Sheet.	109
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	110
Land Development Fund:	
Comparative Balance Sheet.	111
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	112
Sanitary Landfill Fund:	
Comparative Balance Sheet.	113
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	114
<u>Capital Projects Funds:</u>	
Capital Projects Fund:	
Comparative Balance Sheet.	116
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	117
<u>Enterprise Funds:</u>	
Combining Statement of Cash Flows.	119
Electric Utility Fund:	
Comparative Statement of Net Assets.	120
Comparative Statement of Revenues, Expenses and Changes in Net Assets	121
Comparative Statement of Cash Flows.	122
Comparative Schedule of Operating Expenses	123
Schedule of Changes in Property, Plant and Equipment	124
Water Utility Fund:	
Comparative Statement of Net Assets.	125
Comparative Statement of Revenues, Expenses and Changes in Net Assets	126
Comparative Statement of Cash Flows.	127
Comparative Schedule of Operating Expenses	128
Schedule of Bond Principal and Interest Maturities	129
Schedule of Changes in Property, Plant and Equipment	130
Waste Water Utility Fund:	
Comparative Statement of Net Assets	131
Comparative Statement of Revenues, Expenses and Changes in Net Assets	132
Comparative Statement of Cash Flows	133
Comparative Schedule of Operating Expenses.	134
Schedule of Bond Principal and Interest Maturities.	136
Schedule of Changes in Property, Plant and Equipment.	138

TABLE OF CONTENTS

	<u>Page</u>
<u>Enterprise Funds:</u> (continued)	
Marina Fund:	
Comparative Statement of Net Assets	139
Comparative Statement of Revenues, Expenses and Changes in Net Assets	140
Comparative Statement of Cash Flows	141
Schedule of Changes in Property, Plant and Equipment.	142
<u>Internal Service Funds:</u>	
Combining Statement of Net Assets.	144
Combining Statement of Revenues, Expenses and Changes in Net Assets	146
Combining Statement of Cash Flows.	148
Escanaba Building Authority:	
Comparative Statement of Net Assets.	150
Comparative Statement of Revenues, Expenses and Changes in Net Assets	151
Schedule of Bond Principal and Interest Maturities	152
Motor Vehicle and Equipment Fund:	
Comparative Statement of Net Assets.	153
Comparative Statement of Revenues, Expenses and Changes in Net Assets	154
Schedule of Changes in Equipment	155
Office Equipment Fund:	
Comparative Statement of Net Assets.	159
Comparative Statement of Revenues, Expenses and Changes in Net Assets	160
Schedule of Changes in Equipment	161
Risk Retention Fund:	
Comparative Statement of Net Assets.	162
Comparative Statement of Revenues, Expenses and Changes in Net Assets	163
Dental Fund:	
Comparative Statement of Net Assets.	164
Comparative Statement of Revenues, Expenses and Changes in Net Assets	165
Health Insurance Fund:	
Comparative Statement of Net Assets.	166
Comparative Statement of Revenues, Expenses and Changes in Net Assets	167
Worker's Compensation Fund:	
Comparative Statement of Net Assets.	168
Comparative Statement of Revenues, Expenses and Changes in Net Assets	169
Unemployment Compensation Fund:	
Comparative Statement of Net Assets.	170
Comparative Statement of Revenues, Expenses and Changes in Net Assets	171

TABLE OF CONTENTS

Page

Permanent Fund:

Gas Retirement Fund:

Comparative Balance Sheet	173
Comparative Statement of Revenues, Expenses and Changes in Fund Balance	174

Fiduciary Funds:

Private Purpose Trust Funds:

Combining Statement of Fiduciary Net Assets	176
Combining Statement of Changes in Fiduciary Net Assets	177

Catherine Bonifas Trust Fund:

Comparative Statement of Fiduciary Net Assets	178
Comparative Statement of Changes in Fiduciary Net Assets	179

Economic Development Corporation Fund:

Comparative Statement of Fiduciary Net Assets	180
Comparative Statement of Changes in Fiduciary Net Assets	181

Pension Trust Fund:

Public Safety Retirement Fund:

Comparative Statement of Fiduciary Net Assets	182
Comparative Statement of Changes in Fiduciary Net Assets	183

Tax Collection Agency Fund:

Statement of Changes in Assets and Liabilities	184
Schedule of Collections for and Remittances to Other Governmental Units	185

Governmental Funds Fixed Asset Listing:

Schedule of Changes in Governmental Funds Fixed Assets	188
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SINGLE AUDIT:

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	190
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	192
Schedule of Expenditures of Federal Awards	194
Schedule of Expenditures of Federal Awards Notes	195
Schedule of Findings and Questioned Costs	196
Resolution of Prior Years Findings and Questioned Costs	198

STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION:

General Government Expenditures and Other Financing Uses by Function	200
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TABLE OF CONTENTS

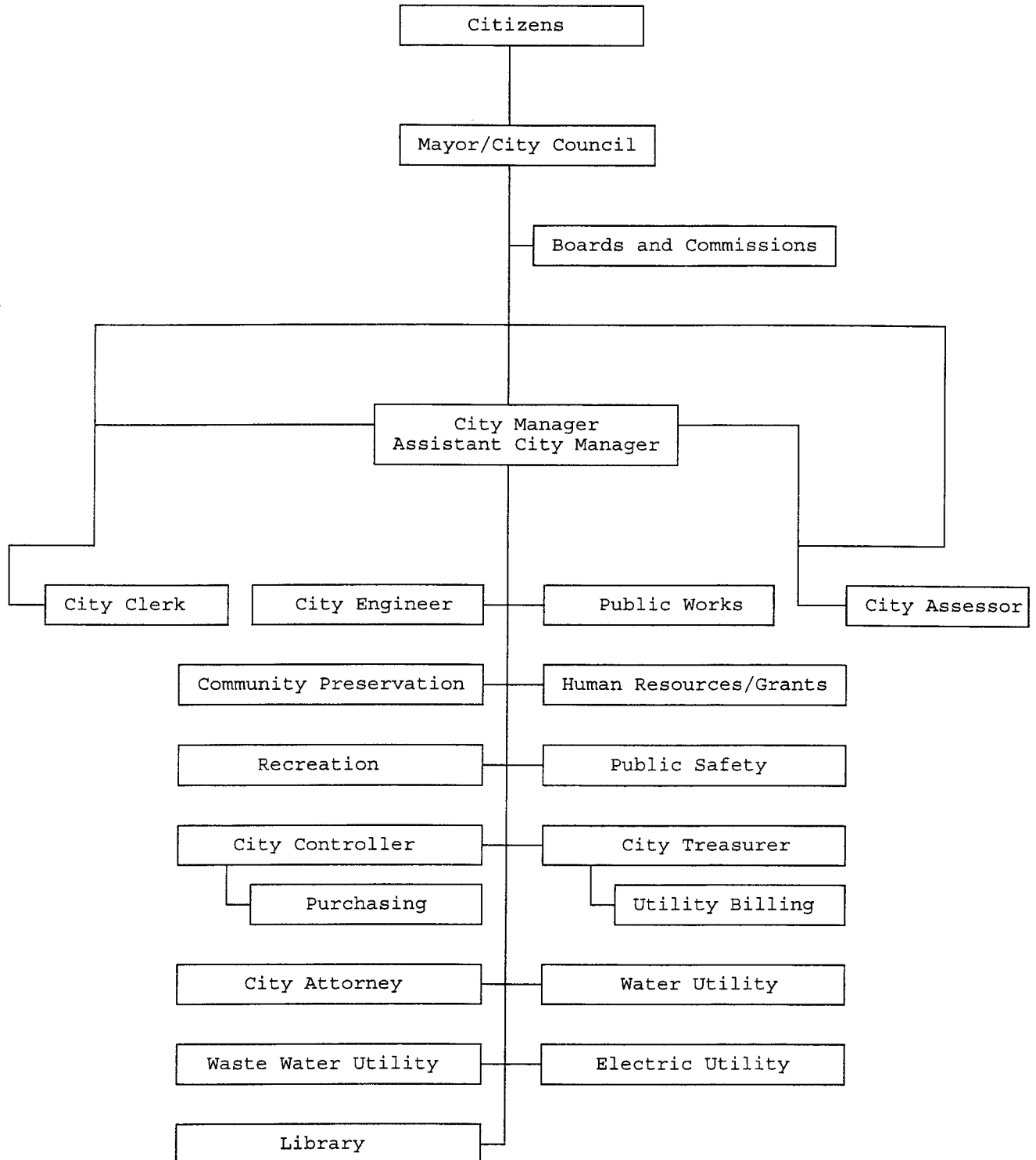
Page

STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION: (continued)

General Revenues and Other Financing Sources by Source	201
Real and Personal Property Tax Levies and Collections.	202
Taxable and Estimated Actual Value of Taxable Property	203
Property Tax Rates - All Overlapping Governments (per \$1,000 of Assessed Value).	204
Computation of Legal Debt Margin	205
Computation of Direct and Overlapping Debt	206
Analysis of Income Available for Debt Retirement:	
Water Utility Bonds.	207
Wastewater Utility Bonds	208
Comparative Statistical Information - Electric Utility	209
Demographic Statistics	210
Principal Taxpayers.	211
Miscellaneous Statistics	212
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita.	213

INTRODUCTORY SECTION

The City of Escanaba, Michigan
Organization Chart



CITY COUNCIL
() Expiration of Term

Mayor
Judith Schwalbach (2007)

Members of the City Council
David J. Moyle - Mayor Pro-Tem (2007)
James J. Berthiaume (2009)
Leo J. Evans (2009)
Wayne E. Heikkila (2009)

ADMINISTRATION

City Manager
Douglas K. Terry

Assistant City Manager
Anthony J. Schomin

Clerk
Robert S. Richards, CMC

Public Safety Director
Jim Hansen

Assessor
Elizabeth H. Keller

Engineer
William S. Farrell

City Treasurer
Robert J. Valentine

Controller
Michael D. Dewar, CPA

Supt. of Public Works
James Larsen

Community Preservation
James V. O'Toole

Supt. of Water Dept.
Warren L. Isaacson

Recreation Director
Thomas L. Morin

Supt. of Electric Dept.
Robert Headden

Library Directory
Karen M. Peterson

Personnel and Grant
Administrator
Roger W. Good

Supt. of Wastewater
Dept.
Donald French

Purchasing Agent
Thomas J. Penegor

Attorney
Ralph B.K. Peterson



December 17, 2004

Honorable Mayor, Members of the City Council and City Manager
City of Escanaba, Michigan

The Comprehensive Annual Financial Report (CAFR) of the City of Escanaba, for the fiscal year ended June 30, 2004, is submitted herewith. This report was prepared by the City Controller's office. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

This document represents the second year of reporting under the Governmental Accounting Standards Board Statement No. 34 (GASB 34) model. While GASB has no direct authority over the City's financial reporting practices, in order for the auditors to provide the City with an unqualified opinion, we are required to comply with the provisions of GASB 34.

GASB 34 impacts the reporting of the City's operations, but does not change the way in which the City's accounting system functions. Simply put, we account for operations as we always have, using the various funds that have been established for years. When reporting on our operations, however, we are required to make adjustments which result in financial statements which are considerably different than in the past. Schedules detailing this adjustment from historical reporting to GASB 34 reporting can be found on pages 18 and 20.

GASB 34 has been referred to as the "most significant change in the history of governmental financial reporting". Some of the highlights of the changes required under GASB 34 include:

Reporting information on a "government-wide" basis rather than on a funds type" basis, as in the past. Unlike private sector accounting, where financial reporting covers all operations of an entity, governmental accounting has traditionally focused on individual funds. This treatment was based on the fact that there were usually legal requirements which dictated the permissible uses of the various revenue sources; fund accounting allowed for this segregation. Moving to a "government-wide" reporting format is designed to create an overall financial picture, which was often difficult to do under the "funds type" approach.

Changing the manner by which the financial information is aggregated and reported. While GASB 34 still has certain "funds type" reporting requirements, the reporting process now requires a determination of which funds are defined as *major* individual funds. Once this determination is made, reporting requirements differ between major and non-major funds. This change is designed to provide greater focus on the most critical governmental operations.

Changing the determination of operating results for governmental funds from a focus on spendable resources (cash in and cash out) to total resources. Theoretically, this means that all activities reported in the government-wide financial statements will be reported in a manner similar to private sector accounting. The impact of this change is manifested in a number of areas, including infrastructure reporting and depreciation, debt service reporting and changes in accrual treatments.

While the City traditionally included an extensive overview of all operations in prior transmittal letters, the GASB requirement that the City's Management Discussion and Analysis (beginning on page 7) focus on the "government-wide" financial statements means that this narrative will differ materially from the past.

The objectives of GASB 34 are varied; proponents believe that the new treatment will help assess the City's *overall* financial condition, identify whether the current year's revenues were sufficient to pay for current year's services and illustrate the extent to which the City invested in capital assets. While no single reporting model will adequately respond to all of the varied objectives that financial reporting hopes to address, it would appear that the new reporting model represents an improvement in some areas and a failure in others.

The single greatest deficiency in historical governmental accounting was its failure to recognize the difference between operating expenses and capital expenditures. Clearly, an entity which is putting a significant amount of its resources into infrastructure should be better positioned for the future than an entity which is spending 100% of its resources on operations. Governmental accounting failed to make this differentiation, while the new model takes a step in this direction. Similarly, by recognizing depreciation on those assets, it illustrates that there are costs in running a city beyond the cash that is being expended.

Additionally, by instituting a full accrual position for expenses, the new model accounts for future obligations, which could impact financial health for a number of years. Finally, the model provides information on the total costs to run the City, something that was difficult to create under the former reporting model.

On the negative side, the infrastructure reporting is, by definition, incomplete. The City's information was developed based on records from 1980 forward. Because many of the City's assets have been in place for a significantly longer period, they are ignored by this process. As time goes on, the infrastructure reporting will become more meaningful.

Additionally, the reporting format's emphasis on "government-wide" analysis suffers from the very diverse nature of City operations. For instance, if the City had one extremely "profitable" function, but all other functions were having difficulties, the new reporting model could net out to show that we were in good condition financially. This means little, however, if one of the struggling operations has no avenues available to it to reverse the negative trend.

With the submission of this Comprehensive Annual Financial Report, the City has met the requirements as set forth in GASB 34. While the "government-wide" reporting requirements of GASB 34 provides information that was never available in the past, analysis of this information as it relates to individual funds is nearly impossible. For this reason, we have also provided additional information which GASB 34 does not require, including detailed "funds type" reporting of all the City's governmental funds. This means that readers can use either or both of the reporting models – traditional and GASB 34 – to obtain the information they require and to best determine the financial results of the City's operations.

The notes, which are provided in the financial section, are considered essential to fair presentation and adequate disclosure for this financial report. The notes include Note 1 – “Summary of Significant Accounting Policies” for the City, beginning on page 25, and other necessary disclosure of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Controller’s Office. I should like to express my appreciation to the members of the staff who assisted and contributed to its preparation: Debbie Jussila and Melissa Larson.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michael Dewar", with a long horizontal flourish extending to the right.

Michael Dewar, C. P.A.
City Controller

Management Discussion and Analysis

The City of Escanaba's Comprehensive Annual Financial Report (CAFR) consists of a variety of reporting information, some of which is required and some of which is provided as supplementary information. Both types of information are included in an effort to assist a reader in understanding the City's financial position. This section, the Management Discussion and Analysis (MD&A), is a required component of the CAFR and is also provided to assist readers in understanding and interpreting the City's CAFR.

CAFR reporting requirements include two distinct types of governmental financial reporting – "funds-type" financial statements and "government-wide" financial statements. "Funds-type" financial statements mirror the traditional reporting methodology, while "government-wide" financial statements represent financial reporting of all City activities utilizing a common reporting format. While the differences in the two reporting models are numerous, the purpose of the "government-wide" financial statements is to consolidate the City's numerous funds into one total entity and to use accounting treatment similar to that used in the private sector. As such, it treats capital expenditures as investments, rather than expenses, and depreciates those investments over their anticipated lives. More information regarding the reporting differences between the two approaches can be found in Notes 1(b) through 1(g) in the Notes to Financial Statements.

The introduction of "government-wide" reporting is required under Governmental Accounting Standards Board Statement No. 34 (GASB 34). All of the contents of this document through page 73 are required under GASB 34; information following that point is considered supplementary information.

The reporting methodology of the City's CAFR is based upon the concept of a pyramid; the top of the pyramid is represented on pages 15 and 16 – the Statement of Net Assets and the Statement of Activities. These schedules combine all City operations and adjust their reporting format into a common methodology. The base of the pyramid is the individual fund information, which can be found from page 59 (Required Supplemental Information) on. Because an understanding of the reporting hierarchy will assist the reader in understanding the financial results of the City's operations, the following information will review the individual government statements in an order which provides a transition from "funds-type" reporting to "government-wide" reporting.

Governmental Funds Balance Sheet

This document, found on page 17, summarizes the assets and liabilities for all funds which are accounted for under the traditional governmental form of accounting, as of June 30, 2004. Under this format, no recognition is made for infrastructure assets and no distinction is made between operating expenditures and capital expenditures. Each fund carries a fund balance, which represents a total of available spendable resources for future activities. Detail information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional governmental accounting format. This statement becomes the basis for transitioning to "government-wide" financial statement presentation.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

This document, which can be found on page 18, illustrates the process of converting the Government Funds Balance Sheet to the corresponding amounts used in the "government-wide" Statement of Net Assets (page 15). Essentially, the process recognizes the capital assets, the corresponding depreciation and the long-term borrowing which have been created by governmental funds over the years. To put in another way, rather than treating capital expenditures as another operating expense, it treats these expenditures as an asset which will be utilized into future years.

It can be noted that the total net assets calculated on this schedule – over \$35 million – is the same figure which is used on the Statement of Net Assets previously referenced.

Government Funds Revenues, Expenditures and Changes in Fund Balances

This document, found on page 19, summarizes the financial activities for all funds which are accounted for under the traditional governmental form of accounting, for the year ended June 30, 2004. As discussed previously, uses of available resources are treated as expenditures, regardless of the character of the expenditure. Detailed information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional governmental accounting format.

During the year, the City saw a decrease in the combined fund balances of these funds by \$390,000. If the loss on sale of investments – which is discussed in Notes to Financial Statements 1(L) – is removed from this calculation, as it neither increases or decreases available spendable resources, the use of fund balance decreases to \$117,000. The original budgets for these funds called for the use of fund balance in excess of \$550,000, with no recognition of investment gains or losses. The decreased use of fund balance was attributable to a number of factors, but the most significant factor was a mid-year expenditure reduction plan formulated by the City's administration.

As discussed later, the use of fund balance was attributable to several large one-time capital projects. When viewed under the "government-wide" reporting format, this actually resulted in an increase in City assets.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds to the Statement of Activities

This document, which can be found on page 20, illustrates the process of converting the traditional statement of revenues, expenditures and increases (decreases) in fund balance (page 19) to the corresponding amounts used in the "government-wide" Statement of Activities (page 16). Essentially, the process eliminates expenditures which create capital assets and reduce long-term debt and recognizes depreciation expense and various transactions on a modified accrual basis. With this conversion, the City's traditional fund basis accounting system is transformed into financial statements which would mirror private sector accounting treatment.

The remaining documents which are required under GASB 34 (pages 21-24) represent our enterprise and internal service funds. Because these funds have always been accounted for in a manner which mirrors private sector accounting, there is no need to "convert" this information, as was required with the governmental funds, prior to their inclusion in the "government-wide" financial statements reflected on pages 15 and 16. Detailed information in these remaining statements can be traced to the individual funds found later in the CAFR.

Statement of Net Assets

As discussed previously, this document (page 15) summarizes the financial position of all City operations, modified as required, in a private sector format, as of June 30, 2004. Below is a summarized comparison of this year's statement to last year's:

	<u>Y/E 6/30/2004</u>	<u>Y/E 6/30/2003</u>	<u>Yr. To Yr. Change</u>
Assets:			
Current Assets:			
Cash/Investments	\$ 39,872,613	\$ 39,104,553	\$ 768,060
Receivables	5,613,496	6,889,747	(1,276,251)
Other Assets	1,090,535	1,547,603	(457,068)
Noncurrent Assets:			
Restricted Assets	328,372	252,460	75,912
Capital Assets	89,920,336	86,882,752	3,037,584
Accumulated Depreciation	<u>(39,138,456)</u>	<u>(37,492,462)</u>	<u>(1,645,994)</u>
TOTAL ASSETS	<u>\$ 97,686,896</u>	<u>\$ 97,184,653</u>	<u>\$ 502,243</u>
Liabilities:			
Current Liabilities	\$ 3,038,897	\$ 3,400,041	\$ (361,144)
Noncurrent Liabilities	<u>9,085,345</u>	<u>9,137,605</u>	<u>(52,260)</u>
TOTAL LIABILITIES	<u>\$ 12,124,242</u>	<u>\$ 12,537,646</u>	<u>\$ (413,404)</u>
Net Assets:			
Invested in Capital Assets, Net of related debt	\$ 42,226,404	\$ 41,257,533	\$ 968,871
Restricted	3,435,060	3,025,790	409,270
Unrestricted	<u>39,901,190</u>	<u>40,363,685</u>	<u>(462,495)</u>
NET ASSETS	<u>\$ 85,562,654</u>	<u>\$ 84,647,008</u>	<u>\$ 915,646</u>

As noted, cash and investments increased by over \$768,000 when compared to the prior year, with an increase of nearly \$945,000 in the governmental activities and a decrease of nearly \$175,000 in the business-type activities. The decrease of \$1.28 million in receivables was attributable mostly to decreases in the governmental activities, due in part to a change in accounting for electric capacity billings and in part to a significant reduction in outstanding loans in the various revolving loan funds. The decrease in other assets is based primarily on lower coal inventories in the Electric Fund.

Capital assets increased by over \$3 million, with governmental activities accounting for over \$2 million of this increase. Major capital additions under the governmental activities include the North Shore Boat Launch and the Willow Creek connector project. After netting our depreciation expenses, the business-type activities actually showed a decrease in net assets, in part due to the shorter lives which are usually assigned to these assets.

Liabilities, both current and noncurrent, showed year to year decreases, with governmental activities showing a small increase and business-type activities accounting for the overall decrease.

The net effect of these various changes is that the City showed an overall increase in net assets of over \$915,000. Overall, governmental activities increased by over \$1.36 million, while business-type activities showed a decrease of over \$440,000. Despite the fact the governmental activities showed an overall decrease in fund balances, the City's balance sheet showed a significant improvement when converted to a private sector accounting basis. In general, this reflects the fact that many of the expenditures in the governmental funds were for long-term capital asset projects.

The Statement of Net Assets breaks down the net assets into several categories, including capital assets (net of depreciation), restricted funds and unrestricted funds. Overall, the total increase in net assets of \$915,000 includes an increase in net capital assets of \$970,000 and an increase in restricted assets of \$409,000, offset by a decrease in unrestricted assets of \$463,000. Unrestricted assets are generally funds

which are available for future operating expenses; as such, it reflects the overall decrease in fund balances that were noted in the governmental funds reporting.

Statement of Activities

As discussed previously, this document (page 16) summarizes the revenues and expenses for all City operations, modified as required in a private sector format, for the year ended June 30, 2004. As discussed in the Statement of Net Assets, the results of this document show an increase in net City assets of over \$915,000.

This document segments revenues into various categories and further distinguishes between direct revenues (attributable to specific functions) and general revenues, such as taxes and State shared revenues. The result, reflected in the Total column, represents the net cost of the various activities.

The following table contains summaries of the City's program revenues, general revenues, program expenses by function and change in net assets.

Changes in Net Assets	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003
Revenues:				
Program Revenues:				
Charges for services	\$ 1,088,687	\$ 995,568	\$ 13,368,469	\$ 12,670,009
Operating grants & contributions	1,737,038	1,334,078	-	1,391
Capital grants & contributions	1,614,524	436,091	12,900	-
General Revenues:				
Property taxes	3,935,527	3,815,455	-	-
State revenue sharing	1,608,264	1,651,249	-	-
Unrestricted grants & contributions	14,554	10,000	-	-
Unrestricted investment earning	(177,131)	936,228	435,615	1,391,519
Unrestricted gains on sales of assets	843	-	22,447	-
Miscellaneous	716,269	226,388	13,800	14,400
Total Revenues	10,538,575	9,405,057	13,853,231	14,077,319
Program Expenses:				
General government	1,631,536	1,676,024	-	-
Public safety	3,629,334	3,608,543	-	-
Highways, streets and public works	1,953,397	1,863,474	-	-
Sanitation	789,040	779,437	-	-
Interest	(75,843)	258,524	-	-
Community services	255,326	597,305	-	-
Recreation	691,013	525,903	-	-
Cultural	549,899	575,604	-	-
Urban redevelopment and housing	136,700	7,704	-	-
Economic development	139,350	124,939	-	-
Capital projects	62,848	-	-	-
Other	13,304	13,385	-	-
Electric utility	-	-	11,039,369	9,949,709
Water utility	-	-	1,296,528	1,197,222
Wastewater	-	-	1,106,518	1,054,018
Marina activity	-	-	272,781	281,862
Total Expenses	9,775,904	10,030,842	13,715,196	12,482,811
Excess (deficiency) before transfers	762,671	(625,785)	138,035	1,594,508
Transfers	597,906	519,048	(582,965)	(519,048)
Increase (decrease) in net assets	1,360,577	(106,737)	(444,930)	1,075,460
Net assets, beginning	34,391,549	34,498,286	50,255,458	49,179,998
NET ASSETS, ENDING	\$ 35,752,126	\$ 34,391,549	\$ 49,810,528	\$ 50,255,458

Total governmental activities expenses, modified under the private sector reporting format, were \$9.776 million for the year, a decrease of \$255,000 (2.5%) from the prior year. This reflected, in part, management's directives to reduce overall expenditures. Total expenses for business-type activities increased by over \$1.23 million; the majority of the increase occurred in the Electric Fund. The Electric Fund experienced higher power production costs attributable to increased reliance on the diesel generator and less economic power availability.

Total *net* governmental activities expense, which represents the cost of activities after deducting revenues directly attributable to those activities, were over \$5.3 million. This was a decrease of almost \$2 million from the prior year's figure of nearly \$7.3 million. The main explanation for this change is the increase in capital grants, which went from \$436,000 in the year ended 6/30/03 to \$1.6 million in the current year. Because these funds were utilized for the creation of capital assets, their related expenditures are not included in the expense column. Net expenses for business-type activities went from net revenues of \$189,000 in the year ended 6/30/2003 to a net expense of \$334,000 in the current year. This change of nearly \$523,000 is once again related to electric production costs.

General revenues, those which are not tied to a specific program or activity, saw several significant changes in the year ended 6/30/04. State shared revenues once again decreased, reflecting the difficulties that the State has faced over the last several years. The net year to year decrease was \$43,000, but when combined with the fact that the City would historically receive an increase, it means the overall budgetary impact was much greater. Miscellaneous income increased over the prior year by nearly \$490,000; one significant component of this increase was a contribution to the City's Library Fund by the Margaret Be-zold Estate in excess of \$265,000. The City Council recently adopted rules governing the expenditure of these funds to help ensure that her wishes for these funds are complied with.

The final significant change in general revenues is reported under investment earnings and losses. This category includes both interest earnings and gain (loss) on investments. As discussed in the Notes to Financial Statements (note 1(L)), GASB 31's application of unrealized losses on investments impacted the financial statements by over \$1 million. Additionally, based on the City's investment laddering philosophy, while general interest rates have started to increase, the rates of our current portfolio have continued to fall, resulting in less interest income. It should be noted that this same laddering approach for investments insulated the City from major decreases over the last several years.

Overall, revenues attributable to activities increased over the prior year by \$2.38 million, while general revenues decreased by \$1.46 million. When offset by increased overall expenses of \$978,000, additions to net assets for this year were \$53,000 less than last year, when they increased \$969,000.

Long-Term Debt

In addition to the required payments for outstanding debt that existed prior to this fiscal year, there were several other debt events for the City in the fiscal year.

The Water Utility borrowed the remaining funds (\$504,000) under its State/MDEQ loan, bringing the total outstanding debt to \$2.75 million; the funds were used to complete a major plant renovation.

The State of Michigan revised their loan repayment terms for the non-bonded debt used to help construct the Whitetail Industrial park. By giving the City maximum credit for jobs creation and additional credit for prior interest payments, the City's obligation was reduced from nearly \$550,000 to under \$240,000.

Finally, the City refunded outstanding bonds from 1993 and 1994 which were used to construct the Public Works complex and the City Hall/Library complex. Although the outstanding amount of debt increased

slightly, from \$3.832 million to \$3.88 million, the decreased rates that were obtained on the new debt will represent a significant cost savings over the remaining life of the bonds.

Subsequent Events

There were no material events which occurred between the end of fiscal year 6/30/04 and the date of this report. In general, the City continues to feel the impact of the overall economic slowdown which is affecting both the State and the nation as a whole. This environment did contribute to further cost modifications for the 2004/05 budget, with the impact expected to be felt for the foreseeable future. The City continues to review all aspects of its operations on an ongoing basis, but to date, all funds continue to operate above the levels required by State Law.

Additional Information

The City's CAFR is designed to provide both an overall and detailed analysis of the City's operations. Any questions regarding this information or requests for additional information can be directed to my attention at City Controller, 410 Ludington Street, P. O. Box 948, Escanaba, MI 49829 or by calling (906) 789-7300.

Respectfully submitted,



Michael Dewar, C.P.A.
City Controller

FINANCIAL SECTION



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
City Council and City Manager
City of Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Escanaba, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Escanaba, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2004, on our consideration of the City of Escanaba's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

Honorable Mayor, Members of the
City Council and City Manager
City of Escanaba, Michigan

results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 59 through 73, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escanaba, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tackman & Company P.C.

Certified Public Accountants

October 13, 2004

CITY OF ESCANABA, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and equivalents	\$ 147,040	\$ 1,400,237	\$ 1,547,277
Investments, at market	13,294,018	25,031,318	38,325,336
Receivables:			
Accounts	233,999	1,617,149	1,851,148
Mortgages, land contracts and other notes	2,117,472	-	2,117,472
Contracts for rental property	1,876	-	1,876
Special assessments	84,219	-	84,219
Accrued interest	149,567	274,564	424,131
Due from other governments:			
State of Michigan	730,694	-	730,694
Local units	58,956	-	58,956
Advances to other funds	345,000	-	345,000
Real estate held for resale	8,200	-	8,200
Chemical inventory	-	15,894	15,894
Inventory	419,981	370,278	790,259
Prepaid expenses	180,947	95,235	276,182
Total current assets	17,771,969	28,804,675	46,576,644
Noncurrent assets:			
Restricted assets:			
Investments, at market	-	328,372	328,372
Capital assets	36,079,322	53,841,014	89,920,336
Accumulated depreciation	(11,442,652)	(27,695,804)	(39,138,456)
Net noncurrent assets	24,636,670	26,473,582	51,110,252
TOTAL ASSETS	\$ 42,408,639	\$ 55,278,257	\$ 97,686,896
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 455,801	\$ 400,532	\$ 856,333
Accrued interest	22,530	22,256	44,786
Claims payable	359,036	-	359,036
Accrued salaries and fringes	283,594	249,769	533,363
Customer deposits	-	155,172	155,172
Due to other funds	453	-	453
Due to other governments	87,447	-	87,447
Advances from other funds	-	345,000	345,000
Deferred revenue	210,307	-	210,307
Bonds payable, current portion	245,750	225,000	470,750
Total current liabilities	1,664,918	1,397,729	3,062,647
Noncurrent liabilities:			
Compensated absences	643,842	-	643,842
Note payable	213,753	-	213,753
Bonds payable	4,134,000	4,070,000	8,204,000
Total noncurrent liabilities	4,991,595	4,070,000	9,061,595
TOTAL LIABILITIES	\$ 6,656,513	\$ 5,467,729	\$ 12,124,242
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 20,756,670	\$ 21,469,734	\$ 42,226,404
Restricted for:			
Capital projects	1,206,092	-	1,206,092
Debt service	-	328,372	328,372
Other purposes	1,900,596	-	1,900,596
Unrestricted	11,888,768	28,012,422	39,901,190
TOTAL NET ASSETS	\$ 35,752,126	\$ 49,810,528	\$ 85,562,654

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Functions/Programs:	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		Total
	Expenses	Fees, fines & charges for services	Operating grants and contributions	Capital grants and contributions	Govern- mental activities	Business- type activities
Primary Government:						
Governmental activities:						
General government	\$ 1,631,536	\$ 91,425	\$ -	\$ -	\$(1,540,111)	\$ -
Public safety	3,629,334	568,779	172,136	229,837	(2,658,582)	-
Highways, streets and public works	1,953,397	113,343	1,063,331	410,817	(365,906)	-
Sanitation	789,040	204,008	-	-	(585,032)	-
Community services	255,326	-	-	-	(255,326)	-
Recreation	691,013	41,237	-	960,695	310,919	-
Cultural	549,899	24,721	501,571	13,175	(10,432)	-
Urban redevelopment and housing	136,700	45,174	-	-	(91,526)	-
Economic development	139,350	-	-	-	(139,350)	-
Capital projects	62,848	-	-	-	(62,848)	-
Other functions	13,304	-	-	-	(13,304)	-
Interest on long-term debt	(75,843)	-	-	-	75,843	-
Total governmental activities	9,775,904	1,088,687	1,737,038	1,614,524	(5,335,655)	-
Business-type activities:						
Electric utility	11,039,369	10,889,679	-	12,900	-	(136,790)
Water utility	1,296,528	1,258,368	-	-	-	(38,160)
Waste water utility	1,106,518	997,359	-	-	-	(109,159)
Marina activity	272,781	223,063	-	-	-	(49,718)
Total business-type activities	13,715,196	13,368,469	-	12,900	-	(333,827)
Total primary government	\$23,491,100	\$ 14,457,156	\$ 1,737,038	\$ 1,627,424	(5,335,655)	(333,827)
General revenues:						
Property taxes				3,935,527	-	3,935,527
State revenue sharing				1,608,264	-	1,608,264
Unrestricted grants and contributions				14,554	-	14,554
Unrestricted gain on sale of assets				843	22,447	23,290
Unrestricted investment earnings (losses)				(177,131)	435,615	258,484
Miscellaneous				716,269	13,800	730,069
Transfers				597,906	(582,965)	14,941
Total general revenues and transfers				6,696,232	(111,103)	6,585,129
Changes in net assets				1,360,577	(444,930)	915,647
Net assets, beginning of year				34,391,549	50,255,458	84,647,007
Net assets, end of year				\$35,752,126	\$49,810,528	\$86,562,654

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2004

	General Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and equivalents	\$ 6,424	\$ -	\$ 106,254	\$ 112,678
Investments, at market	3,637,685	-	6,398,720	10,036,405
Receivables:				
Accounts, net of bad debt allowance	152,355	-	27,625	179,980
Mortgages, land contracts and other notes	-	-	2,117,472	2,117,472
Contracts for rental property	1,876	-	-	1,876
Special assessments	60,301	-	23,918	84,219
Accrued interest	44,374	-	68,879	113,253
Due from other funds:				
Grants Fund	107,754	-	35,469	143,223
Sanitary Landfill Fund	10,012	-	-	10,012
Health Insurance Fund	34,960	-	-	34,960
Due from other governments:				
State of Michigan	233,833	323,512	173,349	730,694
Local units	-	58,956	-	58,956
Advances to other funds	-	-	345,000	345,000
Real estate held for resale	-	-	8,200	8,200
Inventory	419,981	-	-	419,981
Prepaid expenses	1,028	-	-	1,028
TOTAL ASSETS	\$ 4,710,583	\$ 382,468	\$ 9,304,886	\$ 14,397,937
LIABILITIES:				
Accounts payable	\$ 131,301	\$ 28,897	\$ 168,257	\$ 328,455
Accrued salaries and fringes	246,280	-	-	246,280
Due to other funds	453	143,223	10,012	153,688
Due to other governments	87,447	-	-	87,447
Deferred revenue	72,594	210,307	53,124	336,025
TOTAL LIABILITIES	538,075	382,427	231,393	1,151,895
FUND BALANCES:				
Reserved for:				
Inventory	419,981	-	-	419,981
Prepaid expenditures	1,028	-	-	1,028
Principal	-	-	989,349	989,349
Capital improvements	-	-	216,743	216,743
Long-term notes receivable	-	-	2,091,709	2,091,709
Revolving loans	-	-	1,367,197	1,367,197
UPSET expenses	-	-	103,155	103,155
Reading materials	-	-	265,625	265,625
Land held for resale	-	-	8,200	8,200
Future DDA projects	-	-	430,244	430,244
Unreserved, reported in:				
General Fund	3,751,499	-	-	3,751,499
Special revenue funds	-	41	3,601,271	3,601,312
TOTAL FUND BALANCES	4,172,508	41	9,073,493	13,246,042
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,710,583	\$ 382,468	\$ 9,304,886	\$ 14,397,937

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total fund balances for governmental funds \$ 13,246,042

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$ 5,210,988	
Buildings and improvements	2,700,068	
Parking lots	356,131	
Industrial land and buildings	16,913	
Vehicles and equipment	1,624,102	
Infrastructure	13,927,114	
Less:		
Accumulated depreciation	<u>(6,486,170)</u>	17,349,146

Internal service funds are used by the City to charge various costs to individual funds or departments of the City which are not accounted for as enterprise activities. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets. 6,390,993

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Accrued interest on long-term debt	\$ (2,428)	
Bonds payable	(476,000)	
Note payable	(237,503)	
Compensated absences and FICA	<u>(643,842)</u>	(1,359,773)

Deferred revenue reported as a liability on the balance sheet of the fund financial statements has been recognized as a revenue in the Statement of Activities and has been removed from the Statement of Net Assets. 125,718

Total net assets of governmental activities \$35,752,126

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

For the year ended June 30, 2004

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 3,725,194	\$ -	\$ 233,348	\$ 3,958,542
Licenses and permits	1,217	-	-	1,217
Local sources	10,000	147,091	200,598	357,689
State grants	1,675,808	960,126	1,088,430	3,724,364
Federal sources	105,208	75,247	422,350	602,805
Charges for services	562,609	-	200,525	763,134
Fines and forfeitures	32,477	-	177,849	210,326
Interest and dividends	-	-	52,320	52,320
Miscellaneous	253,264	-	866,537	1,119,801
TOTAL REVENUES	<u>6,365,777</u>	<u>1,182,464</u>	<u>3,241,957</u>	<u>10,790,198</u>
EXPENDITURES:				
General government	1,266,572	-	-	1,266,572
Public safety	3,523,272	-	255,787	3,779,059
Highways, streets and public works	587,344	-	2,010,318	2,597,662
Sanitation	789,040	-	-	789,040
Community services	24,148	1,508,105	-	1,532,253
Recreation	596,442	-	-	596,442
Cultural	250	-	516,608	516,858
Urban redevelopment and housing	-	-	136,700	136,700
Economic development	-	-	131,606	131,606
Capital projects	-	-	62,848	62,848
Other functions	13,304	-	-	13,304
Debt service	-	-	82,718	82,718
TOTAL EXPENDITURES	<u>6,800,372</u>	<u>1,508,105</u>	<u>3,196,585</u>	<u>11,505,062</u>
EXCESS REVENUES (EXPENDITURES)	<u>(434,595)</u>	<u>(325,641)</u>	<u>45,372</u>	<u>(714,864)</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	(116,740)	-	(156,497)	(273,237)
Operating transfers in	775,287	325,641	840,442	1,941,370
Operating transfers out	(274,574)	-	(1,068,890)	(1,343,464)
TOTAL OTHER FINANCING SOURCES (USES)	<u>383,973</u>	<u>325,641</u>	<u>(384,945)</u>	<u>324,669</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(50,622)</u>	<u>-</u>	<u>(339,573)</u>	<u>(390,195)</u>
Fund balances, beginning of year	<u>4,223,130</u>	<u>41</u>	<u>9,413,066</u>	<u>13,636,237</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 4,172,508</u></u>	<u><u>\$ 41</u></u>	<u><u>\$ 9,073,493</u></u>	<u><u>\$ 13,246,042</u></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Net changes in fund balances - total governmental funds \$ (390,195)

The change in net assets reported for governmental activities in the
Statement of Activities is different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those assets
is capitalized and the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This
is the amount by which capital outlays (\$3,083,009) exceeded
depreciation expense (\$1,147,672).

1,935,337

Internal service funds are used by the City to charge various costs
to individual funds or departments of the City which are not accounted
for as an enterprise activity. This is the net revenue (expense) of
the internal service funds that are reported with the governmental
activities.

(524,697)

Repayment of debt principal is an expenditure in the governmental funds
but reduces the debt liability in the Statement of Net Assets.

Principal repayments:

DDA

52,000

CDBG Program

309,875

This amount reflects the deferred revenue reported in the fund financial
statements that is recognized as revenue in the Statement of Activities.

(23,015)

Under the modified accrual basis of accounting used in governmental
funds, expenditures are not recognized for transactions that are normally
paid with expendable available financial resources. In the Statement of
Activities, however, which is presented on the accrual basis of accounting,
expenses and liabilities are reported regardless of when financial resources
are available. In addition, interest on long-term debt is not recognized
under the modified accrual basis of accounting until due, rather than when
it accrues. This adjustment combines the following net changes:

Compensated absences and FICA
Accrued interest on debt

(47,969)

49,241

Changes in net assets of governmental activities

\$ 1,360,577

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2004

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
ASSETS:						
Current assets:						
Cash and equivalents	\$ 1,387,208	\$ -	\$ -	\$ 13,029	\$ 1,400,237	\$ 8,987
Investments, at market	22,126,445	652,610	2,149,966	102,297	25,031,318	3,257,613
Receivables:						
Accounts	1,320,854	160,856	124,903	10,536	1,617,149	54,019
Accrued interest	240,573	7,824	25,002	1,165	274,564	36,314
Chemical inventory	-	7,871	8,023	-	15,894	-
Inventories, net of obsolescence allowance	358,553	-	-	11,725	370,278	-
Prepaid expenses	95,235	-	-	-	95,235	179,919
Cash on deposit	-	-	-	-	-	25,375
Total current assets	<u>25,528,868</u>	<u>829,161</u>	<u>2,307,894</u>	<u>138,752</u>	<u>28,804,675</u>	<u>3,562,227</u>
Advance to Marina Fund	<u>35,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,476</u>	<u>-</u>
Restricted assets:						
Operation and maintenance account:						
Investments, at market	-	103,101	89,421	-	192,522	-
Replacement account:						
Investments, at market	-	-	50,000	-	50,000	-
Bond reserve account:						
Investments, at market	-	-	85,850	-	85,850	-
Total restricted assets	<u>-</u>	<u>103,101</u>	<u>225,271</u>	<u>-</u>	<u>328,372</u>	<u>-</u>
Property, plant and equipment	26,490,209	13,157,395	11,576,038	2,617,372	53,841,014	12,244,006
Less accumulated depreciation	<u>(18,194,339)</u>	<u>(4,420,593)</u>	<u>(4,445,810)</u>	<u>(635,062)</u>	<u>(27,695,804)</u>	<u>(4,956,482)</u>
Net property, plant and equipment	<u>8,295,870</u>	<u>8,736,802</u>	<u>7,130,228</u>	<u>1,982,310</u>	<u>26,145,210</u>	<u>7,287,524</u>
TOTAL ASSETS	<u>\$33,860,214</u>	<u>\$ 9,669,064</u>	<u>\$ 9,663,393</u>	<u>\$ 2,121,062</u>	<u>\$55,313,733</u>	<u>\$10,849,751</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 359,149	\$ 17,182	\$ 12,147	\$ 12,054	\$ 400,532	\$ 127,346
Customer deposits	155,172	-	-	-	155,172	-
Claims payable	-	-	-	-	-	359,036
Accrued salaries and fringes	89,558	91,168	69,043	-	249,769	37,314
Accrued interest payable	-	14,040	8,216	-	22,256	20,102
Due to other funds	-	-	-	-	-	34,960
Payable from restricted assets	-	-	115,000	-	115,000	-
Current portion of long-term debt	-	110,000	-	-	110,000	170,000
Total current liabilities	<u>603,879</u>	<u>232,390</u>	<u>204,406</u>	<u>12,054</u>	<u>1,052,729</u>	<u>748,758</u>
Long-term liabilities:						
Bonds payable	-	2,640,000	1,430,000	-	4,070,000	3,710,000
Advances from other funds	-	-	-	380,476	380,476	-
Total long-term liabilities	<u>-</u>	<u>2,640,000</u>	<u>1,430,000</u>	<u>380,476</u>	<u>4,450,476</u>	<u>3,710,000</u>
TOTAL LIABILITIES	<u>603,879</u>	<u>2,872,390</u>	<u>1,634,406</u>	<u>392,530</u>	<u>5,503,205</u>	<u>4,458,758</u>
NET ASSETS:						
Invested in capital assets, net of related debt	8,295,870	5,986,802	5,585,228	1,601,834	21,469,734	3,407,524
Restricted for:						
Debt service	-	103,101	225,271	-	328,372	-
Unrestricted	<u>24,960,465</u>	<u>706,771</u>	<u>2,218,488</u>	<u>126,698</u>	<u>28,012,422</u>	<u>2,983,469</u>
Total net assets	<u>33,256,335</u>	<u>6,796,674</u>	<u>8,028,987</u>	<u>1,728,532</u>	<u>49,810,528</u>	<u>6,390,993</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$33,860,214</u>	<u>\$ 9,669,064</u>	<u>\$ 9,663,393</u>	<u>\$ 2,121,062</u>	<u>\$55,313,733</u>	<u>\$10,849,751</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the year ended June 30, 2004

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,484
Cobra contributions	-	-	-	-	-	46,282
City's contribution for employees	-	-	-	-	-	1,117,938
Employee insurance co-pay	-	-	-	-	-	4,350
Charges for services	10,889,679	1,258,368	997,359	222,474	13,367,880	-
Equipment rental	-	-	-	-	-	821,571
Provision for self-insurance	-	-	-	-	-	188,752
Miscellaneous	-	-	-	589	589	503,940
TOTAL OPERATING REVENUES	10,889,679	1,258,368	997,359	223,063	13,368,469	2,785,317
OPERATING EXPENSES:						
General government	-	-	-	-	-	2,623,956
Enterprises	-	-	-	190,789	190,789	-
Capital projects	-	-	-	-	-	5,444
Production	8,606,565	241,016	269,646	-	9,117,227	-
Transmission and distribution	317,025	142,753	65,965	-	525,743	-
Station	-	-	20,472	-	20,472	-
Customer service	22,435	30,969	23,170	-	76,574	-
Administrative and general	731,498	434,995	330,348	-	1,496,841	-
Provision for depreciation	854,543	208,464	201,739	62,736	1,327,482	472,688
Overhead to utilities	507,303	179,020	161,712	-	848,035	-
TOTAL OPERATING EXPENSES	11,039,369	1,237,217	1,073,052	253,525	13,603,163	3,102,088
OPERATING INCOME (LOSS)	(149,690)	21,151	(75,693)	(30,462)	(234,694)	(316,771)
NON-OPERATING REVENUE (EXPENSES):						
Gain (loss) on sale of investments	(590,507)	(9,545)	(65,534)	(2,594)	(668,180)	(101,160)
Rent received	-	13,800	-	-	13,800	-
Gain (loss) on sale of property	22,499	-	(52)	-	22,447	843
Interest earnings	973,125	29,575	97,419	3,676	1,103,795	144,946
Interest expense	-	(59,311)	(33,466)	(19,256)	(112,033)	(252,555)
Operating transfers out	(548,560)	(15,712)	(15,712)	(2,981)	(582,965)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(143,443)	(41,193)	(17,345)	(21,155)	(223,136)	(207,926)
CHANGE IN NET ASSETS	(293,133)	(20,042)	(93,038)	(51,617)	(457,830)	(524,697)
Total net assets, beginning of year	33,536,568	6,816,716	8,122,025	1,780,149	50,255,458	6,915,690
Add: Contributed capital	12,900	-	-	-	12,900	-
TOTAL NET ASSETS, END OF YEAR	\$33,256,335	\$ 6,796,674	\$ 8,028,987	\$ 1,728,532	\$49,810,528	\$ 6,390,993

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2004

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM ACTIVITIES:						
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,127,541
Cash received from customers	10,827,039	-	-	228,017	11,055,056	-
Cash received from other funds for purchase of receivables	-	1,337,922	923,686	-	2,261,608	-
Cash received from other funds for services	-	12,022	13,393	-	25,415	1,603,757
Cash payments to suppliers for goods and services	(9,971,911)	(586,915)	(556,310)	(87,215)	(11,202,351)	(803,097)
Cash payments to employees for services	(469,095)	(568,514)	(277,847)	(95,214)	(1,410,670)	(254,240)
Cash payments to other funds for services	(14,694)	(18,147)	(25,824)	(6,122)	(64,787)	-
Cash payment of benefits	-	-	-	-	-	(1,570,395)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	371,339	176,368	77,098	39,466	664,271	103,566
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	10,928	-	-	(13,928)	(3,000)	-
Operating transfers out	(548,560)	(15,712)	(15,712)	(2,981)	(582,965)	-
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(537,632)	(15,712)	(15,712)	(16,909)	(585,965)	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Bond proceeds	-	503,646	-	-	503,646	3,880,000
Contribution of capital assets	12,900	-	-	-	12,900	-
Acquisition and construction of capital assets	(436,783)	(535,454)	(40,079)	-	(1,012,316)	(244,926)
Proceeds from sale of property	22,499	-	-	-	22,499	1,611
Principal paid on revenue bond maturities	-	-	(115,000)	-	(115,000)	(3,832,000)
Interest paid	-	(57,235)	(34,068)	(19,256)	(110,559)	(232,453)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(401,384)	(89,043)	(189,147)	(19,256)	(698,830)	(427,768)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	(590,507)	(9,545)	(65,534)	(2,594)	(668,180)	57,462
Interest received	1,036,634	28,266	105,332	4,326	1,174,558	-
Rent received	-	13,800	-	-	13,800	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	446,127	32,521	39,798	1,732	520,178	57,462
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(121,550)	104,134	(87,963)	5,033	(100,346)	(266,740)
Cash and equivalents, beginning of year	23,635,203	651,577	2,463,200	110,293	26,860,273	3,533,340
CASH AND EQUIVALENTS, END OF YEAR	\$ 23,513,653	\$ 755,711	\$ 2,375,237	\$ 115,326	\$ 26,759,927	\$ 3,266,600
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (149,690)	\$ 21,151	\$ (75,693)	\$ (30,462)	\$ (234,694)	\$ (316,771)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	854,543	208,464	201,739	62,736	1,327,482	472,688
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(67,100)	93,632	(60,280)	4,954	(28,794)	(44,746)
(Increase) decrease in inventory	522,916	(427)	(1,046)	(5,069)	516,374	-
(Increase) decrease in prepaid expenses	(95,235)	-	-	-	(95,235)	-
Increase (decrease) in accounts payable	(705,742)	(149,699)	6,794	7,307	(841,340)	(8,214)
Increase (decrease) in accruals	7,187	5,303	5,584	-	18,074	609
Increase (decrease) in customer deposits	4,460	-	-	-	4,460	-
Increase (decrease) in other liabilities	-	(2,056)	-	-	(2,056)	-
Increase (decrease) in due to other funds	-	-	-	-	-	-
Total adjustments	521,029	155,217	152,791	69,928	898,965	420,337
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 371,339	\$ 176,368	\$ 77,098	\$ 39,466	\$ 664,271	\$ 103,566

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	Pension Trust Fund	Private- purpose Trusts	Agency Funds
ASSETS:			
Cash and equivalents	\$ 865	\$ -	\$ 13,514
Investments, at market	16,883,975	108,750	-
Receivables:			
Accrued interest	-	1,179	-
Due from other funds:			
General Fund	453	-	-
TOTAL ASSETS	<u>\$ 16,885,293</u>	<u>\$ 109,929</u>	<u>\$ 13,514</u>
LIABILITIES:			
Accounts payable	\$ 803	\$ -	\$ -
Due to other governments	-	-	13,514
TOTAL LIABILITIES	<u>\$ 803</u>	<u>\$ -</u>	<u>\$ 13,514</u>
NET ASSETS:			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 109,929	
Employee's retirement system	16,884,490	-	
Unreserved	-	-	
TOTAL NET ASSETS	<u>\$ 16,884,490</u>	<u>\$ 109,929</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2004

	Pension Trust Fund	Private- purpose Trusts
OPERATING REVENUES:		
Interest and dividends	\$ 562,304	\$ 4,715
Gain (loss) on sale of investments	1,330,538	-
Contributions:		
City of Escanaba	219,191	-
Employees	108,960	-
TOTAL OPERATING REVENUES	<u>2,220,993</u>	<u>4,715</u>
OPERATING EXPENSES:		
Administrative and general	2,326	-
Benefits and refunds of member contributions	1,002,032	-
TOTAL OPERATING EXPENSES	<u>1,004,358</u>	<u>-</u>
OPERATING INCOME	<u>1,216,635</u>	<u>4,715</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sales of investments	-	(2,976)
Operating transfers out	-	(14,941)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(17,917)</u>
NET INCOME (LOSS)	1,216,635	(13,202)
Net assets, beginning of year	<u>15,667,855</u>	<u>123,131</u>
NET ASSETS, END OF YEAR	<u>\$ 16,884,490</u>	<u>\$ 109,929</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Escanaba conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

A. Reporting Entity - The City's financial statements include the accounts of all City operations. The primary criterion applied to an activity or entity to determine if that entity should be included in the financial statements is the degree of oversight responsibility over such entities by the City's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity. Based on these criteria and authoritative guidelines, the financial statements of the City of Escanaba include as blended funds the Escanaba Public Safety Pension Fund, the Economic Development Corporation, the Downtown Development Authority and the Escanaba Building Authority, which are separately administered organizations controlled by the City.

For financial reporting purposes, in conformance with GASB Statements 14 and 39, the City of Escanaba (the primary government) includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City's legislative branch, the City Council. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. In addition, State of Michigan, Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

Blended Component Unit - The City has four component units in which the financial data has been blended with the primary government financial statement.

Escanaba Public Safety Pension - For financial reporting purposes, the Escanaba Public Safety Pension is reported as if it were part of the City's operations because its board is appointed by the City Council and its purpose is to provide pension benefits to the City's Public Safety employees.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Economic Development Corporation - For financial reporting purposes, the Economic Development Corporation is reported as if it were part of the City's operations because its board is appointed by the City Council. The Corporation was organized pursuant to the State of Michigan, Public Act No. 338 of 1974, as amended, and the City of Escanaba, Michigan Ordinance No. 619. The primary purpose of the Corporation is to encourage and assist commercial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises.

Downtown Development Authority - For financial reporting purposes, the Downtown Development Authority is reported as if it were part of the City's operations because the City Council maintains budgetary control and its purpose is to promote and provide financial support to the downtown merchants.

Escanaba Building Authority - For financial reporting purposes, the Escanaba Building Authority is reported as if it were part of the City's operations because its board is appointed by the City Council and its purpose is to account for the financing of the Public Works Complex and the financing and maintenance of the City Hall/Library Complex.

Joint Venture - The City of Escanaba is a participant with Delta County, the City of Gladstone, and local townships in a joint venture to provide for a landfill, the Delta Solid Waste Management Authority. The authority is governed by a seven person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. Complete financial statements for the Delta Solid Waste Landfill can be obtained directly from Delta Solid Waste Management Authority. See Note 14 for additional information.

Delta Solid Waste Management Authority
100 Delta Avenue
Gladstone, Michigan 49837

B. Basis of Presentation - The City has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, as described below.

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the City are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following funds as major governmental funds in accordance with the previously listed criteria:

General Fund
Grants Fund

The City reports the following funds as major enterprise funds in accordance with the previously listed criteria:

Electric Utility Fund
Water Utility Fund
Waste Water Utility Fund

The funds of the City are described below:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds used by the City are as follows:

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Street Fund - This fund accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

Local Street Fund - This fund accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

Parking Maintenance Fund - This fund accounts for revenues and expenditures related to the maintenance of parking lots.

Downtown Development Authority Fund - This fund accounts for revenues and expenditures in connection with developing and maintaining the Downtown Development Authority District.

Brownfield Fund - This fund accounts for the revenues and expenditures in connection with developing and maintaining contaminated properties in the Brownfield zone. The major source of revenue is tax assessed on the growth and development of properties within the plan.

Drug Law Enforcement Fund - This Fund accounts for the revenues and expenditures in connection with forfeitures received both locally and from UPSET.

Library Fund - This fund accounts for revenues and expenditures directly attributable to library operations.

Housing Rehab Fund - This fund accounts for revenues and expenditures attributable to the City's program of rehabilitating substandard rental and owner occupied housing. Major financing sources include the U. S. Department of Housing and Urban Development, the Michigan State Housing Development Authority and the reuse of UDAG/DIAL funds.

Grants Fund - This fund accounts for revenues from various sources, including City matching shares, received under one-time grants. Expenditures are restricted to accomplishing the goals as defined in the individual grant offers.

Urban Development Action Grant Fund (UDAG/DIAL) - This fund has been established to account for funds granted to the City by the U.S. Department of Housing and Urban Development to make a loan to the Dial Corporation to be used for Delta Plaza improvements and related expenditures. Collections of interest and principal on this loan must be used for economic development activities.

Farmers Home Grant Fund - This fund was established to account for funds granted to the City by the Rural Development Administration, United States Department of Agriculture. The grant produced \$200,000 to be used by Calouette Industrial Properties for the renovation of buildings on the former Harnischfeger site. The grant called for a \$50,000 loan and a \$150,000 grant.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E.D.A. Revolving Loan Fund -

M.S.C. Revolving Loan Fund II - These funds were established to account for funds granted to the City to make loans to concerns which show the capacity for the creation of jobs. The E.D.A. Revolving Loan Fund was established through the U.S. Department of Commerce, under its Economic Development Administrations's Title IX Adjustment Implementation Program. The M.S.C. Revolving Loan Fund II was established through the State of Michigan's Department of Commerce Michigan Small Cities Program. Under each grant, loan repayments, including interest, are used to make further loans to concerns meeting specific criteria.

Land Development Fund - This fund accounts for revenues and expenditures in connection with the development and sale of City-owned land. It was established to provide on-going financing for water, sewer, storm sewer and street development on City owned properties.

Sanitary Landfill - This fund was established by City ordinance and records receipts of garbage pickup fees by the City utility billing department. Fees are used to offset garbage pickup expenses in the General Fund.

Capital Projects Fund - The City has one capital projects fund to account for expenditures relating to significant capital projects. During the year, the City recorded the activities and expenditures relating to the resurfacing of Ludington Street. All expenditures will pass through this fund before being split evenly to the General Fund, Electric Fund, Water Fund and Waste Water Fund.

Permanent Fund - The Gas Retirement Fund is the City's only permanent fund. This fund accounts for funds received from the sale of the City's gas utility in June 1965 to Michigan Consolidated Gas Company. By a vote referendum on November 2, 1965, the City is prohibited from expending any principal resulting from the sale. Additionally, the interest earned from the investment of the principal must be spent on "capital improvements" only.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. Enterprise Funds used by the City are as follows:

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Electric Utility Fund - This fund is used to record the operations of an electrical system.

Water Utility Fund - This fund is used to record the operations of a water system.

Waste Water Utility Fund - This fund is used to record the operations of a waste water system.

Marina Fund - This fund is used to record the operations of a marina.

Internal Service Funds - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. In the government-wide financial statements Internal Service Fund activity is included with the governmental activities. Internal Service Funds used by the City are as follows:

Escanaba Building Authority Fund - This fund is used to account for the financing of both the Public Works Complex and the City Hall/Library Complex. Such costs are billed to user departments in the form of rent.

Motor Vehicle and Equipment Fund - This fund accounts for the cost of acquiring, maintaining and providing vehicle and equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Office Equipment Fund - This fund accounts for the cost of acquiring, maintaining and providing various office equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Risk Retention Fund - This fund is used to account for the City's partially self-insured general liability and property coverage.

Dental Fund - This fund is used to account for the City's dental self-insurance program.

Health Insurance Fund - This fund is used to account for the City's health insurance program, which is partially self-insured.

Worker's Compensation Fund - This fund is used to account for the City's workers' compensation self-insurance program.

Unemployment Compensation Fund - This fund is used to account for the City's unemployment compensation self-insurance program.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. Trust and Agency Funds of the City are as follows:

Private Purpose Trust Funds:

Catherine Bonifas Trust Fund - This fund accounts for monies received from a bequest under the Last Will and Testament of Catherine Bonifas.

Economic Development Corporation Fund - This fund accounts for the applicable fees collected for the processing of economic development loans, for the collection of lease payments from K-Mart Corporation and for the retirement of the bond issue for the K-Mart project. This fund was closed during the fiscal year as the bond was paid off.

Pension Trust Fund:

Public Safety Retirement Fund - This fund is used to record the operations of the public safety employees' retirement system.

Agency Funds:

Tax Collection Fund - This fund is used to account for the collections and payment of amounts received by the City in an agency capacity for governmental units assessing a property tax on property within the City limits.

C. Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

Measurement Focus - On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the "economic resources" focus which is described in paragraph (b) below:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds, which include private purpose trust funds, utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

period. These funds use fund balance as their measure of available spendable resources at the end of the period.

- b. The proprietary funds, which include pension trust funds, utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus is the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency Funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

D. Basis of Accounting - In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

E. Assets, Liabilities and Net Assets/Fund Balances:

1. Cash and Equivalents - The City's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
2. Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City has not recorded an allowance for uncollectible accounts, as the City does not anticipate that amount to be material.
3. Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Inventory - Inventories are valued at cost, which approximates market, using the weighted average method. The General Fund purchases the inventory for the various funds. These inventories relate primarily to the utility funds. Inventories are recorded as an expenditure/expense at the time the individual items are consumed.
5. Fixed Assets - The accounting and reporting treatment applied to property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and on whether the assets are reported in the government-wide financial statements or the fund financial statements.

Government-wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost was unavailable. Donated fixed assets are recorded at their estimated fair market value as of the date of donation.

Prior to July 1, 2002, the governmental funds infrastructure assets, the major and local street systems, were not capitalized. These assets have been valued at their estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the estimated useful life of the asset using the straight-line method of depreciation. The range of estimated useful lives, by fund, is as follows:

Electric Utility Fund:	
Operating plant	10 - 40 years
Distribution system and equipment	4 - 34 years
Water Utility Fund:	
Water plant and distribution system	2 - 75 years
Equipment	2 - 20 years
Waste Water Utility Fund:	
Structures	10 - 50 years
Mains	75 years
Equipment	5 - 20 years
Marina Fund:	
Boat launch/parking	20 - 50 years
Furniture, fixtures and equipment	5 - 15 years
Marina docks, piers and walls	20 - 75 years
Harbor Master building	40 - 50 years
Internal Service Funds (Governmental):	
Escanaba Building Authority	3 - 45 years
Motor Vehicles and Equipment	3 - 25 years
Office Equipment	2 - 10 years
Other Assets (Governmental):	
Land improvements	30 - 50 years
Buildings	20 - 50 years
Infrastructure	20 - 50 years
Equipment	5 - 30 years

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

6. Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide financial statements or the fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The accounting for long-term debt for the proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

7. Compensated Absences - The City's policies regarding vacation and sick time allow employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.
8. Deferred Revenues - In the government-wide financial statements and the proprietary fund financial statements deferred revenue is recognized when cash, receivables or other assets are received prior to being earned. In the fund financial statements deferred revenue is recognized when the revenue is unearned or unavailable.

9. Equity Classification

Government-wide Financial Statements - Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - This component consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Restricted net assets - This component consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further segregated between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide financial statements.

F. Revenues

Government-wide Financial Statements - In the government-wide Statement of Activities revenues are segregated by activity (governmental or business type) and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues that do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

Fund Financial Statements - In the governmental fund statements revenues are reported by source, such as federal, state and taxes. Revenues consist of general-purpose revenues and restricted revenues. General-purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available only for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general-purpose and restricted revenues are available for use, it is the City's policy to use restricted resources first.

G. Expenses/Expenditures

Government-wide Financial Statements - In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business type) and are classified by function.

Fund Financial Statements - In the governmental fund financial statements expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and non-operating and are further classified by function, such as salaries, supplies and contracted services

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Operating Revenues and Expenses - Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

I. Other Financing Sources (Uses) - The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds, respectively.

J. Interfund Activity - As a general rule the interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

Interfund receivables and payables have been eliminated from the Statement of Net Assets except for the residual amounts due between governmental and business-type activities.

K. Budget and Budgetary Accounting - The development and adoption of the City's budget is based upon requirements as set forth in both the City Charter and Act 2, P.A. of 1968 of the State of Michigan, the "Uniform Budgeting and Accounting Act." The following is a summary of the significant legal requirements and the City's policies.

Budgetary Basis of Accounting - Act 2, Public Acts of 1968 of the State of Michigan requires a formal budget for all funds except Internal Service, Enterprise or Public Improvements/Building and Site Funds, which require an "informational summary" in lieu of a formal budget. The City Charter requires submission of the budget to the City Council no later than two months prior to the beginning of the next fiscal year. The City Charter further defines the information required to be presented in the budget and the requirement for a public hearing prior to adoption. The City Charter and state law also require that an appropriations ordinance be adopted, based on the approved budgets, no later than one month prior to the ensuing fiscal year. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Appropriations Ordinance - As prescribed by state law, the City's annual appropriations ordinance includes the legal expenditure limitations for all Governmental Fund Types. This includes the General Fund, all Special Revenue Funds, and all Capital Projects Funds. Proprietary Funds do not require inclusion in the appropriations ordinance.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriations ordinance prescribes the legal expenditure limits for all funds required to be included in the ordinance. The level of control for each fund is based upon the level to which the appropriation ordinance details it. Most budgets are adopted on a fund basis, but the General Fund is adopted on the activity level of various functions or programs within the General Fund. Administrative control of expenditures is maintained through the utilization of the detailed line item budgets upon which the appropriations ordinance is formulated.

Budget Amendment - The City Charter states that at any meeting after the passage of the appropriations ordinance, with at least one week's printed notice in a city newspaper, the Council may amend the appropriations ordinance. Budget amendments may be required due to several factors; receipt of outside grants during the year, expenditures for unanticipated developments and projects continuing over two fiscal years. Unexpended appropriations lapse at year end with the exception of the Capital Projects Funds. The budgeted amounts listed are as originally adopted and as amended by the Council on January 15 and June 17, 2004.

Budgetary Calendar

1. The City holds public hearings on the budget from January through April. These publicized meetings are designed to encourage public input into City programs and are held at these times to allow integration of suggestions into the budgetary process.
2. Budgets are developed and reviewed with the City Council at budget work sessions open to the public. Department heads are given the opportunity to support their requests during these sessions.
3. The City holds two public hearings in May on the budgets, publicized and open to the public. At the second meeting, budgets are adopted and the appropriations ordinance is drafted based on the adopted budget.
4. The appropriations ordinance is formally adopted prior to June 1.
5. The City Manager is authorized to transfer budgeted amounts between line items within most funds. For the General Fund, this is limited to the activity level of various functions or programs. However, any revisions that alter the total expenditures of most funds or the activity level expenditures of the General Fund must be approved by the City Council.

L. Investments - In compliance with Governmental Accounting Standards Board Statement No. 31 (GASB 31), all investments are stated at market value as of June 30, 2004.

The primary purpose of GASB 31 is to alert financial statement users of any possible problems with investment portfolios, based on differences between cost and market. By requiring that financial statements reflect investments at market, it effectively requires that any differences between cost

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and market values - unrealized gains and losses - are treated as recognized gains and losses. The treatment of recognizing unrealized gains and losses is recorded on the City's books as "Gain (loss) on sale of investments" in each of the City's funds that this applies to.

The creation of unrealized gains and losses is a condition resulting from the change in interest rates which occurs continuously in the world's financial markets. Generally, as interest rates fall, the market value of investments rise and as interest rates rise, the market value of investments fall. While techniques can be used to minimize this impact and to predict future interest rate direction, the reality is that these changes are a simple fact of investing. GASB 31 was an attempt to recognize that as these changes occur in financial markets, it can impact an entity's future funds availability. Numerous governmental entities have suffered major financial impacts resulting from these shifts in market conditions. Theoretically, by recording investments at market, financial statement readers are alerted to potential problems of this nature.

The problem with GASB 31 is that it requires the recognition of revenue that hasn't been, and may never be, received. Not only does this impact the financial statements in a manner which cannot be reasonably budgeted for, it can lead to even greater distortions in future years. The basic structure of the City's portfolio is a "laddering" approach; as funds become available for investing, they are generally invested for a duration longer than the investments which are currently owned, depending on the rates that the market is providing. As a result, the City has investments maturing on a regular basis. Having to sell investments at a loss in order to raise cash will seldom, if ever, occur.

Because the City believes that the imposition of GASB 31 on the City's financial statements has an inappropriate effect, the schedule below details, for each fund impacted, the audited results, the impact of GASB 31, and the financial results without the imposition of GASB 31.

<u>Fund</u>	<u>Audited Results</u>	<u>GASB 31 Impact</u>	<u>Actual Results</u>
General Fund	\$ (50,622)	\$ 119,897	\$ 69,275
Major Street Fund	(71,279)	17,461	(53,818)
Local Street Fund	15,266	6,560	21,826
Parking Maintenance Fund	(334)	27	(307)
Downtown Development Authority	21,875	11,970	33,845
Brownfield Fund	4,172	51	4,223
Drug Law Enforcement Fund	(100,048)	99	(99,949)
Library Fund	271,700	2,319	274,019
Housing Rehab (Fund 274)	39,162	1,256	40,418
Grants Fund	-	-	-
UDAG/DIAL Grant Fund	79,052	17,926	96,978
E.D.A. Revolving Loan Fund	(64,047)	10,674	(53,373)
Farmers Home Grant Fund	1,047	1,946	2,993

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Fund</u>	<u>Audited Results</u>	<u>GASB 31 Impact</u>	<u>Actual Results</u>
M.S.C. Revolving Loan Fund II	38,061	662	38,723
Land Development Fund	(537,511)	51,618	(485,893)
Sanitary Landfill Fund	819	2,791	3,610
Electric Utility Fund	(293,133)	610,301	317,168
Water Utility Fund	(20,042)	10,175	(9,867)
Waste Water Utility Fund	(93,038)	67,623	(25,415)
Marina Fund	(51,617)	2,672	(48,945)
Escanaba Building Authority	(156,969)	8,011	(148,958)
Motor Vehicle and Equipment Fund	(199,878)	30,513	(169,365)
Office Equipment Fund	2,268	3,919	6,187
Risk Retention Fund	40,194	1,322	41,516
Dental Fund	(32,439)	1,824	(30,615)
Health Insurance Fund	26,958	-	26,958
Worker's Compensation Fund	(206,227)	46,284	(159,943)
Unemployment Compensation Fund	1,396	12,373	13,769
Catherine Bonifas Trust	1,590	3,074	4,664
Economic Development Corporation	(14,792)	528	(14,264)
Gas Retirement Fund	(37,508)	36,990	(518)

M. Post-retirement Benefits - Post-retirement benefits consist primarily of pension benefits as explained in Note 8. Additionally, retirees are able to obtain health insurance through the City's insurance carrier at their own cost.

N. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGET NONCOMPLIANCE

The City has not complied with certain provisions of the Michigan Uniform Budgeting and Accounting Act. Items of noncompliance are as follows.

The following functions in the General Fund were overspent:

LAN Administration	\$10,866
Rental Property	4
Boat Launches	223
Band	570

The following Special Revenue Fund was overspent:

Drug Law Enforcement Fund	\$ 2,287
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CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS

Cash balances of most City funds are pooled for investment purposes. Interest earnings and any net short-term gains on sales of investments purchased with pooled funds are allocated monthly to each of the funds based on their daily equity balance. The carrying amount of pooled cash and investments on June 30, 2004 and 2003 was \$39,075,588 and \$38,373,944, respectively.

The City also has several funds which do not participate in the investment pool. The majority of non-pooled cash and investments is owned by the Public Safety Pension Fund. The carrying amount of non-pooled cash and investments as of June 30, 2004 and 2003 was \$18,132,501 and \$16,780,309, respectively. Of those amounts, the Public Safety Pension Fund owned approximately 93 percent at June 30, 2004 and 93 percent at June 30, 2003.

The investment of City funds is governed by state statutes. In general, state statute provides that the City is authorized to invest their pooled funds in bonds, direct obligations and repurchase agreements of the United States Government or an agency of the same; deposits in insured financial institutions having their primary office in Michigan; commercial paper rated prime; banker's acceptances issued by United States banks; and mutual funds that invest in any of the preceding investments.

The major restriction placed on non-pooled investments is based on State statutes governing the Public Safety Pension Fund. These statutes define the types of investments (including equity investments, which are not legal for the pooled funds) that the fund can make and further define the permitted ratios of investments. In addition, the Public Safety Pension Fund governing board currently has a sixty (60) percent ceiling on equities as a proportion of total investments.

Investment requirements imposed by local bonding ordinances are an additional restriction placed on non-pooled deposits and investments. These ordinances require funds which serve as bond reserves to be separately invested in obligations of the United States Government or its agencies or instrumentalities.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Deposits - At June 30, 2004, the carrying amount of the City's deposits was \$4,554,669 and the bank balance was \$4,698,644. Of the bank balance, \$386,487 was covered by federal depository insurance and \$4,312,157 was uninsured and uncollateralized.

Cash Equivalents - Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. Examples of cash equivalents include treasury bills, commercial paper, money market funds, and cash management pools.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

A reconciliation of cash and investments to bank deposits and total investments noted on the following page is as follows:

Government-wide Statement of Net Assets

Presentation:

Cash and equivalents	\$ 1,547,277
Investments, at market	38,325,336
Restricted cash and investments	<u>328,372</u>
Subtotal	<u>40,200,985</u>

Statement of Fiduciary Net Assets

Presentation:

Cash and equivalents	14,379
Investments, at market	<u>16,992,725</u>
Subtotal	<u>17,007,104</u>

TOTAL \$ 57,208,089

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end.

Category 1 - includes investments that are insured or for which the securities are held by the City or its agent in the City's name.

Category 2 - includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name.

Category 3 - includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the City's name.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits as of June 30, 2004 are as follows:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
On hand	\$ -	\$ 3,775
Insured (FDIC) - Category 1	386,487	386,487
Uninsured - Category 3	<u>4,312,157</u>	<u>4,168,182</u>
Total Deposits	<u>\$ 4,698,644</u>	<u>\$ 4,558,444</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

The GASB Statement 3 risk disclosure for the City's investments are as follows:

Investment Type	Category			June 30, 2004		
	1	2	3	Market Value	Cost	Unrealized Gain/(Loss)
Risk-Categorized						
Operating Funds:						
U.S. Treasury Obligations	\$25,069,777	\$ -	\$ -	\$25,069,777	\$24,810,154	\$ 259,623
Certificate of Deposits	400,000	10,295,891	-	10,695,891	10,695,891	-
Pension Fund:						
Mutual Funds:						
Vanguard Small Cap Index Fund	-	2,577,206	-	2,577,206	2,500,000	77,206
Merrill Lynch Vanguard 500 Index Fund	-	2,354,450	-	2,354,450	2,820,231	(465,781)
Vanguard Total Bond Market Index Fund	-	6,679,690	-	6,679,690	5,892,365	787,325
	-	5,272,629	-	5,272,629	4,902,553	370,076
Total Risk-Categorized Investments	<u>\$25,469,777</u>	<u>\$27,179,866</u>	<u>\$ -</u>	<u>\$52,649,643</u>	<u>\$51,621,194</u>	<u>\$1,028,449</u>

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits as of June 30, 2003 are as follows:

Deposits	Bank Balance	Carrying Amount
On hand	\$ -	\$ 3,775
Insured (FDIC) - Category 1	386,530	386,530
Uninsured - Category 3	<u>7,445,256</u>	<u>7,315,386</u>
Total Deposits	<u>\$ 7,831,786</u>	<u>\$ 7,705,691</u>

The GASB Statement 3 risk disclosure for the City's investments are as follows:

Investment Type	Category			June 30, 2003		
	1	2	3	Market Value	Cost	Unrealized Gain/(Loss)
Risk-Categorized						
Operating Funds:						
U.S. Treasury Obligations	\$21,636,956	\$ -	\$ -	\$21,636,956	\$20,293,266	\$1,343,690
Certificate of Deposits	400,000	9,738,918	-	10,138,918	10,138,918	-
Pension Fund:						
Mutual Funds:						
Strong Opportunity	-	3,157,400	-	3,157,400	4,152,273	(994,873)
Eaton Vance Income Fund of Boston	-	2,073,972	-	2,073,972	2,626,329	(552,357)
Vanguard 500 Index Fund	-	4,513,803	-	4,513,803	4,674,923	(161,120)
Vanguard Total Bond Market Index Fund	-	5,921,512	-	5,921,512	5,316,119	605,393
Total Risk-Categorized Investments	<u>\$22,036,956</u>	<u>\$25,405,605</u>	<u>\$ -</u>	<u>\$47,442,561</u>	<u>\$47,201,828</u>	<u>\$ 240,733</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

Mutual funds and unit investment trusts consist of portfolios of direct investments in U.S. Treasury notes, U.S. Treasury Bills, and securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. The mutual funds also have the authority to invest in repurchase agreements, options, futures and other investment strategies with these type securities, but on a limited basis.

NOTE 4 - UTILITY RECEIVABLES

The City's net receivables for utility services (Electric, Water, and Waste Water) are summarized as follows:

Billed Receivables	\$ 838,022
Unbilled Receivables	<u>821,032</u>
Total Receivables	1,659,054
Less: Allowance for doubtful accounts	<u>(52,441)</u>
Net Receivables	<u>\$ 1,606,613</u>

The City's Sanitary Landfill Special Revenue Fund also shows \$10,944 of unbilled receivables which are categorized under accounts receivable in the financial statements.

NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE

Long-term receivables due the City at June 30, 2004 and 2003 consist of the following:

Debtor	Original Amount of Loan	Inter- est Rate	Monthly Payment	Collateral	Balance June 30,	
					2004	2003
<u>Housing Rehab Fund:</u>						
Eva Brown	\$ 3,696	0.0%	260(a)	Building	<u>\$ 1,098</u>	<u>\$ 2,657</u>
<u>UDAG/DIAL Grant Fund:</u>						
DIAL Enterprises	1,221,264	(b)	(b)	Real Estate	854,422	893,547
K & D Enterprises	5,985	7.0%	239(a)	Real Estate	3,293	4,248
DDD & S Facade Loan	20,000	0.0%	500(a)	Real Estate	9,000	11,000
Golden Comb	10,000	0.0%	357(a)	Real Estate	3,571	5,000
Swedish Pantry Facade Loan	10,000	0.0%	250(a)	Real Estate	-	6,515
Pioneer TV Facade Loan	10,000	0.0%	250(a)	Real Estate	4,500	5,500
E&S Eisenberger Facade Loan	10,015	0.0%	357(a)	Real Estate	2,543	3,614
Baron's Bar	35,700	8.5%	732	Real Estate	424	9,423
Bobaloons - Lueneburg	9,526	0.0%	349(a)	Real Estate	4,762	6,123
Benoit's Glass & Lock	10,000	0.0%	357(a)	Real Estate	5,357	5,357
William & Donna Perron	10,000	0.0%	305(a)	Real Estate	3,508	5,608
Tailgators	10,000	0.0%	357(a)	Real Estate	-	10,000
Barbara Dorn/Al Gossan	10,000	0.0%	357(a)	Real Estate	5,000	6,429
American Express/Mike Gelina	10,000	0.0%	357(a)	Real Estate	5,714	6,786

(continued)

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE (continued)

Debtor	Original Amount of Loan	Inter- est Rate	Monthly Payment	Collateral	Balance June 30,	
					2004	2003
Fyhr Enterprises	\$ 8,288	0.0%	296(a)	Real Estate	\$ 4,736	\$ 5,920
Kitchen Place	10,000	0.0%	357(a)	Real Estate	5,661	8,193
Industrial Maint. Supply	10,000	0.0%	357(a)	Real Estate	9,654	10,000
8th Street Coffee House	25,000	5.5%	359(c)	Real Estate	19,186	23,256
Lawrence and Karen Anderson	10,000	0.0%	357(a)	Real Estate	9,371	10,000
LeCaptain	10,000	0.0%	357(a)	Real Estate	7,743	9,183
Clare Bedding	8,925	0.0%	319(a)	Real Estate	7,012	8,288
Boomer's/Crawford/Hoskings	35,000	4.75%	491(a)	Real Estate	31,482	34,311
Richard Malone	10,000	0.0%	357(a)	Real Estate	8,572	9,643
Craig Woerpel	10,000	0.0%	357(a)	Real Estate	9,643	8,017
Tom & Connie Harris	10,000	0.0%	357(a)	Real Estate	10,000	-
Swedish Pantry	9,742	0.0%	348(a)	Real Estate	9,742	-
FUND TOTALS					1,034,896	1,105,961
EDA Revolving Loan Fund:						
Clare Bedding Mfg. Co.	153,000	8.25%	2,404	Equipment	-	11,042
E.M.P., Inc.	750,000	7.25%	14,940	Promissory Note	15,412	186,709
E.M.P., Inc.	200,000	8.25%	3,142	Promissory Note	-	6,121
Kelly Cams	150,000	7.0%	1,132	Promissory Note	-	123,734
E.M.P., Inc.	700,000	4.75%	13,130	All Assets	428,250	561,964
RT Mfg.	235,000	4.0%	4,328	Promissory Note	235,000	-
FUND TOTALS					678,662	889,570
M.S.C. Revolving Loan Fund II:						
Escanaba Foundation	62,500	8.0%	523	Hanger Building	31,999	35,557
M & M Enterprises	189,720	6.0%	2,772	Promissory Note	7,790	10,059
E.M.P., Inc.	237,400	7.25%	4,729	Promissory Note	4,878	59,099
M & M Enterprises	22,440	8.5%	362	Equipment	-	1,683
E.M.P., Inc.	150,000	8.25%	2,357	Promissory Note	-	4,591
E & S Eisenberger	108,800	8.5%	1,004	All assets	88,769	94,961
Tailgators/Haslow	150,000	9.5%	2,452	Promissory Note	-	149,513
E.M.P., Inc.	400,000	4.75%	7,503	All Assets	244,715	321,122
FUND TOTALS					378,151	676,585
Land Development Fund:						
Schwalbach Corporation	39,600	9.0%	451	Property	7,108	11,651
A.M. Express	63,200	6.0%	702	Property	17,557	24,687
Dunlap/Cool	35,000	7.0%	406	Property	-	24,303
FUND TOTALS					24,665	60,641
TOTALS					\$2,117,472	\$2,735,414

(a) Quarterly payment.

(b) For the period commencing on December 1, 1993 and ending December 1, 2003, payments of principal and interest at 4 percent in the amount of \$6,446 will be made. For the period December 1, 2003 to December 1, 2008, payments of principal and interest at 6 percent in the amount of \$7,354 will be made. On December 1, 2008, the note will mature, at which time the entire unpaid balance of approximately \$662,000 will be due.

(c) Monthly payment.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 6 - PROPERTY TAXES

The City's annual property tax on real and personal property is levied, by action of the City Council, no later than June 1 annually, and becomes an enforceable lien on July 10, payable by September 15, and is based on the taxable valuation of property on the preceding December 31. The City bills and collects its own property taxes and also acts as collection agent for all overlapping governments in the City, which includes the local school district, intermediate school district, community college and the County. Collections of property taxes for overlapping governments are accounted for in the Tax Collection Agency Fund. City property tax revenues are recognized during the year in which they are collected. An allowance for delinquent taxes is provided for receivables not expected to be collected during the year.

In 1982, Delta County established a real property tax revolving fund. Each March 1, all unpaid real property taxes become delinquent and are sold to the County. At March 1, 2002 and 2003, total delinquent real property taxes sold to the County totaled \$172,728 and \$186,213, respectively.

NOTE 7 - CAPITAL ASSETS

A summary of changes in governmental activities capital assets is as follows:

	Balance 06/30/03	Additions	Retirements and other Deductions	Balance 06/30/04
Land and improvements	\$ 4,633,307	\$1,278,614	\$ 75,202	\$ 5,836,719
Buildings and improvements	9,017,440	13,181	-	9,030,621
Parking lots	356,131	-	-	356,131
Industrial land and buildings	16,913	-	-	16,913
Vehicles and equipment	6,839,940	515,596	443,712	6,911,824
Infrastructure	13,144,377	1,128,464	345,727	13,927,114
Total capital assets	34,008,108	2,935,855	864,641	36,079,322
Less accumulated depreciation:				
Land improvements	569,406	81,095	-	650,501
Buildings and improvements	2,132,928	205,007	1,116	2,336,819
Parking lots	54,938	11,873	-	66,811
Industrial land and buildings	9,024	564	-	9,588
Equipment	4,375,187	436,471	436,422	4,375,236
Infrastructure	3,936,762	412,662	345,727	4,003,697
Total accumulated depreciation	11,078,245	1,147,672	783,265	11,442,652
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	\$22,929,863	\$1,788,183	\$ 81,376	\$24,636,670

Depreciation expense was charged to governmental activities as follows:

General government	\$ 263,752
Public Safety	152,214
Highways, streets and public works	535,836
Community services	54
Recreation	103,514
Cultural	84,490
Economic development	7,812
Total governmental activities depreciation expense	<u>\$1,147,672</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 7 - FIXED ASSETS (continued)

A summary of business-type activities property, plant and equipment at June 30, 2004 is as follows:

	Balance 06/30/03	Additions	Retirements and other Deductions	Balance 06/30/04
Land and improvements	\$ 1,744,145	\$ -	\$ -	\$ 1,744,145
Buildings and improvements	17,569,642	3,145,155	2,675	20,712,122
Electric generating equipment	7,105,074	3,765,573	-	10,870,647
Transmission and distribution systems	19,107,602	255,796	20,760	19,342,638
Other machinery and equipment	1,071,736	35,720	22,512	1,084,944
Construction in progress	6,276,446	559,676	6,749,604	86,518
Total capital assets	52,874,645	7,761,920	6,795,551	53,841,014
Less accumulated depreciation:				
Land improvements	584,973	43,607	-	628,580
Buildings and improvements	8,925,400	652,488	2,675	9,575,213
Electric generating equipment	7,085,210	189,868	-	7,275,078
Transmission and distribution systems	9,040,664	380,134	20,760	9,400,038
Other machinery and equipment	777,970	61,385	22,460	816,895
Total accumulated depreciation	26,414,217	1,327,482	45,895	27,695,804
NET BUSINESS TYPE ACTIVITIES CAPITAL ASSETS	<u>\$26,460,428</u>	<u>\$6,434,438</u>	<u>\$ 6,749,656</u>	<u>\$26,145,210</u>

Depreciation expense was charged as follows:

Electric	\$ 854,543
Water	208,464
Waste water	201,739
Marina	62,736
Total business-type activities depreciation expense	<u>\$1,327,482</u>

NOTE 8 - PENSION PLANS

Public Safety Pension Plan

A. Plan Description - The Escanaba Public Safety Pension Fund is a single employer public employee retirement system established and administered by the City to provide pension benefits exclusively for all of its public safety officers. The Pension Fund is accounted for as a separate Pension Trust Fund. At June 30, 2003, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 33 current employees and 48 retirees and beneficiaries currently receiving benefits and two terminated employees entitled to but not yet receiving future benefits.

The Public Safety Pension Fund provides retirement benefits as well as death and disability benefits. Employees who retire at any age with 25 or more years of service or age 60 regardless of service are entitled to an annual retirement benefit, payable for life, in an amount equal to 3.0 percent of their three-year average final compensation (AFC) multiplied by their first 25 years of service, for a maximum benefit of 75% of final average compensation. A deferred retirement is earned by an employee who terminates before retirement age and has 10 or more years of service. The plan provides for a minimum retiree pension amount of \$500 per month. This

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 8 - PENSION PLANS (continued)

minimum is also applicable to surviving spouses. The annual retirement benefit payable to a qualifying retiree is increased by 1.0% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually.

Covered employees are required to contribute 5 percent of their compensation to the plan if the City's contribution rate is below 6.83%. If the City's contribution rate rises above 6.83% then members are required to contribute 6.0% to the plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. City contributions are actuarially determined and based on the individual entry-age method.

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.0% to 4.0% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2003 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION

Actuarial Accrued Liability:	
To retirants and beneficiaries	\$10,524,646
To present active members:	
Member contributions	799,604
Employer financed portion	<u>6,968,857</u>
Total actuarial accrued liability	18,293,107
Actuarial value of assets	<u>18,797,603</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ (504,496)</u>

GASB 27 INFORMATION

Contributions Required and Contributions Made - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2003 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 8 - PENSION PLANS (continued)

Year ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percent <u>Contributed</u>
1999	\$ 222,301	100%
2000	147,844	100%
2001	108,776	100%
2002	107,352	100%
2003	123,488	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2004 was calculated at 12.07% of the valuation payroll. This calculates out to \$219,191.

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/30/99	\$17,296,136	\$12,200,340	\$ (5,095,796)	142%	\$ 1,616,208	-%
6/30/99*	17,296,136	13,246,740	(4,049,396)	131%	1,616,208	-%
6/30/00	18,621,940	14,217,589	(4,404,351)	131%	1,646,791	-%
6/30/00*	18,621,940	14,406,431	(4,215,509)	129%	1,646,791	-%
6/30/01	19,330,612	15,133,840	(4,196,772)	128%	1,751,810	-%
6/30/02	19,274,620	16,233,484	(3,041,136)	119%	1,681,701	-%
6/30/02*	19,274,620	16,582,195	(2,692,425)	116%	1,681,701	-%
6/30/03	18,797,603	17,360,814	(1,436,789)	108%	1,708,691	-%
6/30/03@	18,797,603	18,293,107	(504,496)	103%	1,708,691	-%

* After changes in benefit provision.

@ After changes in assumptions.

Michigan Municipal Employees Retirement System

A. Plan Description - The City of Escanaba contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Public Safety employees, who are covered exclusively under the Public Safety Pension Plan, are eligible to participate in the MERS. Benefits vest after 10 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees, other than members of the Dispatcher's division, with 30 years of credited service may retire at or after age 55 with full benefits. Members of Dispatchers division may retire with full benefits at or after age 55 with 25 years of credit service. The annual retirement benefits of

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 8 - PENSION PLAN (continued)

Part-time and Water/Waste Water division employees are equal to 2.0 percent of their average annual compensation for their last three years of employment multiplied by their years of credited service. The Non-union, Teamsters, Dispatcher and Electricians divisions have a benefit which calls for annual retirement benefits equal to 2.25 percent of average annual compensation for the last three years of employment multiplied by years of credited service with a maximum benefit of 80 percent of final average compensation. Benefits for all divisions except part-time include a provision for automatic non-compounded increases for all pensioners and their beneficiaries. The annual increase equals the smaller of 1% or the increase in the consumer price index.

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.00% to 4.16% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 8,468,996
Terminated employees not yet receiving benefits	921,248
Current employees -	
Accumulated employee contributions including allocated investment income	139,631
Employer Financed	<u>11,800,323</u>
Total Actuarial Accrued Liability	\$ 21,330,198
Net Assets Available for Benefits at Actuarial Value (Market Value is \$15,331,023)	<u>16,789,939</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 4,540,259</u>
Fiscal Year Beginning	July 1, 2005
Annual Required Contribution (ARC)	\$ 607,272
Amortization Factor Used - Underfunded Liabilities (30 years)	0.053632

C. Contributions Required and Contributions Made - The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 8 - PENSION PLAN (continued)

accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

<u>Valuation Date</u> <u>December 31</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
1999	\$ 475,749	100%
2000	495,557	100%
2001	527,797	100%
2002	557,126	100%
2003	558,664	100%

Notes: Adoption of benefit B-3 for the non-union division is reflected in the 1999 valuation. Adoption of Benefit E and E-2 is reflected in the 1999 and 2000 valuations. Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2004 were \$555,140.

D. Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>(a)</u> <u>Actuarial</u> <u>Value</u> <u>of Assets</u>	<u>(b)</u> <u>Entry Age</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>(b-a)</u> <u>Unfunded</u> <u>Accrued</u> <u>Liability</u> <u>(UAL)</u>	<u>(a/b)</u> <u>Funded</u> <u>Ratio</u>	<u>(c)</u> <u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>[(b-a)/c]</u> <u>UAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
1999	\$13,676,911	\$15,437,986	\$ 1,761,075	89	\$ 4,041,048	44%
2000	14,775,142	17,398,220	2,623,078	85	4,086,633	64%
2001	15,615,958	18,783,991	3,168,033	83	4,315,870	73%
2002	15,834,089	19,829,046	3,994,957	80	4,306,914	93%
2003	16,789,939	21,330,198	4,540,259	79	4,405,553	103%

Notes: Actuarial assumptions were revised for the 2000 actuarial valuations.

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>06/30/04</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
1993 Escanaba Building Authority, bonds, 5.25%, due in semi-annual installments of \$30,000 to \$135,000 through 2023.	\$1,722,000	\$ -	\$1,722,000	\$ -	-
1994 Escanaba Building Authority bonds, 5.0%, due in semi-annual installments of \$35,000 to \$165,000 through 2024.	2,110,000	-	2,110,000	-	-

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 9 - LONG-TERM DEBT (continued)

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>06/30/04</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Refunding of 1993 and 1994 Escanaba Building Authority bonds, variable interest rate from 2.0 to 4.55%, due in semi-annual installments of \$150,000 to \$270,000 through March 2024.	\$ -	\$3,880,000	\$ -	\$3,880,000	\$170,000
DDA bonds, 6.0%, due in annual installments of \$12,000 commencing June 1, 1997 through December 2006.	48,000	\$ -	12,000	36,000	12,000
DDA bonds, 6.13%, due in annual installments of \$40,000 commencing December 1, 2001 through December 2014.	480,000	-	40,000	440,000	40,000
Loan payable to the Michigan Strategic fund (CDBG program) for the Industrial Park Project. Principal payments of \$5,938 shall commence September 1, 2004 and every quarter thereafter until the debt is retired by May 31, 2014.	547,378	-	309,875	237,503	23,750
FICA on accrued compensated absences	42,345	3,409	-	45,754	-
Long-term portion of accrued compensated absences	<u>553,528</u>	<u>44,560</u>	<u>-</u>	<u>598,088</u>	<u>-</u>
Total governmental long-term debt	<u>\$5,503,251</u>	<u>\$3,927,969</u>	<u>\$4,193,875</u>	<u>\$5,237,345</u>	<u>\$245,750</u>
Business-type Activities:					
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 830,000	\$ -	\$ 70,000	\$ 760,000	\$ 70,000
1998 Waste Water Utility revenue bonds, 2.25%, due in semi-annual installments of \$40,000 to \$65,000 through October 1, 2018	830,000	-	45,000	785,000	45,000
2002 Water Utility revenue bonds, 2.5%, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2003.	<u>2,246,354</u>	<u>503,646</u>	<u>-</u>	<u>2,750,000</u>	<u>110,000</u>
Total business-type long-term debt	<u>\$3,906,354</u>	<u>\$ 503,646</u>	<u>\$ 115,000</u>	<u>\$4,295,000</u>	<u>\$225,000</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 9 - LONG-TERM DEBT (continued)

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2004 are as follows:

Governmental Activities:

<u>Year Ending June 30</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 23,750	\$ 222,000	\$ 143,807	\$ 389,557
2006	23,750	202,000	165,890	391,640
2007	23,750	202,000	159,343	385,093
2008	23,750	190,000	152,781	366,531
2009	23,750	200,000	146,204	369,954
2010-2014	118,753	1,075,000	609,464	1,803,217
2015-2019	-	1,100,000	394,255	1,494,255
2020-2024	-	1,165,000	149,695	1,314,695
TOTAL	\$ 237,503	\$ 4,356,000	\$ 1,921,439	\$ 6,514,942

Business-type Activities:

<u>Year Ending June 30</u>	<u>Bonds Payable</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 225,000	\$ 98,615	\$ 323,615
2006	225,000	93,869	318,869
2007	230,000	88,644	318,644
2008	240,000	83,251	323,251
2009	245,000	77,688	322,688
2010-2014	1,300,000	301,364	1,601,364
2015-2019	1,010,000	165,151	1,175,151
2020-2024	820,000	52,251	872,251
TOTAL	\$ 4,295,000	\$ 960,833	\$ 5,255,833

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS

The Upper Peninsula Power Company had contracted with the City of Escanaba to operate and maintain the City's generating plant for a period of 30 years. This contract expired on May 31, 1988. It was anticipated at the time of the original agreement that the plant would be capable of producing electric energy in excess of the quantities required by the City. Accordingly, over the 30-year period, the Company had the right to any excess power which was generated by the plant. In return, the Company agreed to make lease payments to the city in equal monthly installments over this period. The lease payments were calculated to pay for the bonds issued for the plant construction plus the interest thereon.

On January 1, 1979 the two parties amended their original agreement for the operation and maintenance of the City's generating plant. Under this new agreement, the parties shared equally the cost of operating and maintaining the plant in relation to the net energy generated and delivered to each of the parties.

On December 12, 1986 a new agreement was reached by the two parties for the operation of the City's generating plant. This new agreement went into effect on June 1, 1988 and will remain in force until terminated by mutual

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS (continued)

agreement or by either party subject to 36 months written notice. The new agreement provides that the Company will continue to operate and maintain the plant and the City will reimburse the Company for all operating, maintenance and administrative expenses incurred plus an annual management fee initially equal to \$25,000, adjusted annually according to the Producer Price Index.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 152,726	Grants Fund	\$ 107,754
		Health Insurance Fund	34,960
		Sanitary Landfill Fund	10,012
		Subtotal	152,726
Land Development Fund	35,469	Grants Fund	35,469
Public Safety Retirement	453	General Fund	453
TOTAL	<u>\$ 188,648</u>	TOTAL	<u>\$ 188,648</u>

NOTE 12 - ADVANCES TO OTHER FUNDS

Electric Utility Fund - The advance to Marina Fund consists of a loan for \$155,524 made during the year ended June 30, 1990. The advance was used to finance certain capital improvements in the Marina Fund. The loan is to be paid back over a 17-year period with interest at 4 percent. The balance as of June 30, 2004 is \$35,476.

Land Development Fund - The advances to other funds consists of a loan to the Marina Project Capital Project Fund for \$350,000 made during the fiscal year ended June 30, 2001. The advance was used to finance certain capital improvements to the City's Marina. The loan is to be paid back over a 25 year period with interest at 5 percent. The balance as of June 30, 2004 is \$345,000.

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS

Fund balance reserves as reported on the Governmental Funds balance sheet are as follows:

A. Reserves for Inventory - The General Fund has \$419,981, reserved for inventory as they do not represent expendable available financial resources.

B. Reserved for Prepaid Expenditures - The General Fund has \$1,028 reserved for prepaid expenditures as they do not represent expendable available financial resources.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS (continued)

C. Reserve for Gas Retirement Principal and Reserve for Capital Improvements - By a voter referendum on November 2, 1965, the City is prohibited from expending any of the original principal, \$989,349, resulting from the sale of the City's gas utility in June, 1965. In addition, the interest earned from the investment of the principal can be spent only for capital improvements. At June 30, 2004 the amount available for expenditure is \$216,743.

D. Reserve for Long-term Notes Receivable - The E.D.A. Revolving Loan, M.S.C. Revolving Loan Fund II, and Urban Development Action Grant Funds have \$678,662, \$378,151 and \$1,034,896, respectively, of the fund balance reserved for the non-current portion of loans receivable which do not represent expendable available financial resources.

E. Reserve for Revolving Loans - Under terms of grant agreements with the United States Department of Commerce and the Michigan Department of Commerce, proceeds of funds granted to the City and loaned to local businesses must be reserved and used exclusively for additional, future loans to local businesses. Of these funds, \$507,430 is accounted for in the M.S.C. Revolving Loan Fund II, and \$859,767 is accounted for in the E.D.A. Revolving Loan Fund.

F. Reserve for UPSET Expenses - The Drug Law Enforcement Fund has \$103,155 reserved for expenses authorized by UPSET. These funds can only be used for UPSET activities and cannot be used for City activities.

G. Reserved for Reading Materials - The Library Fund has \$265,625 reserved for the purchase of reading materials in accordance with a donor's instructions.

H. Reserve for Land Held for Resale - The Land Development Fund has \$8,200 reserved for land held for resale which does not represent expendable available financial resources.

I. Reserve for Future DDA Projects - The Downtown Development Authority Fund has \$430,244 reserved for future projects as listed in the TIF Development Plan.

Net asset restrictions as reported on the Proprietary Fund statement of net assets are as follows:

A. Restriction for Debt Service - In accordance with revenue bond indentures in the Water Utility Fund and the Waste Water Utility Fund, \$103,101 and \$225,271, respectively, of retained earnings are reserved for this specific purpose.

Net asset restrictions as reported on the Statement of Fiduciary Net Assets are as follows.

A. Reserve for Bonifas Trust Fund - Under terms of a Circuit Court decree dated March 3, 1955, the City of Escanaba was authorized to act as trustee

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS (continued)

in the administration of a bequest under the Last Will and Testament of Catherine Bonifas. The Will requested the bequest be used or applied one-third for a state office building, one-third for a city and county building, and one-third for a recreation building.

The fund balance at June 30, 2004, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	110,409	
General Fund contribution - land	20,565	
Community Action Agency Grant	20,307	
Earnings retained	<u>327,323</u>	\$ 790,393
Deduct:		
Delta County Building Authority payment authorized by Circuit Court decree	50,000	
Contribution to State of Michigan	145,784	
Transfer to City General Fund authorized by Circuit Court decree	279,395	
Capital improvements made to William Bonifas Fine Arts Center authorized by Circuit Court decree	6,500	
Capital improvements made to Catherine Bonifas Civic Center authorized by Circuit Court decree	<u>198,785</u>	<u>680,464</u>
		<u>\$ 109,929</u>

B. Reserve for Employees Retirement System - The Public Safety Pension Fund has \$16,884,490 reserved for that retirement system.

NOTE 14 - JOINT VENTURE - DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County, including the City of Escanaba. It was established in order to provide for a new landfill, as the former county-wide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. The three members of the Authority board from the villages and townships are selected by and from a body composed of one representative from each township or village; the three board members from the cities are selected by and from a body composed of two representatives from each city; and the member of the Delta County Board of Commissioners is chosen by said Board of Commissioners after review of recommendation by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 14 - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

Operation and maintenance costs are paid out of tipping fees assessed against those who dump garbage at the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone and private garbage haulers serving the other local units. The landfill began operation in December, 1985. Audited financial information of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2003 is as follows:

Total assets	<u>\$ 5,357,048</u>
Total current liabilities	\$ 264,053
Total long-term liabilities	6,106,783
Total equity (deficit)	<u>(1,013,788)</u>
Total liabilities and equity	<u>\$ 5,357,048</u>
Operating revenues	\$ 1,929,472
Operating expenses	<u>(962,819)</u>
Net operating income (loss)	966,653
Non-operating revenues (expense), net	(161,784)
Add depreciation on contributed capital	<u>51,646</u>
Increase in retained earnings	<u>\$ 856,515</u>

NOTE 15 - CONTINGENT LIABILITIES

The City has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City. As of the date of this report management was unaware of any disallowed claims.

NOTE 16 - RISK MANAGEMENT

The City maintains self insurance programs for dental benefits, worker's compensation, unemployment compensation and health insurance that are reported as Internal Service Funds. All fund types are charged premiums at rates determined using established insurance rates and other factors which, in management's opinion, warrant consideration. For the fiscal year ended June 30, 1986, the assets of the Worker's Compensation Fund and earnings thereon, were considered sufficient to cover expected future claims and, thus, all charges to individual funds were discontinued. The City has in the past purchased an excess worker's compensation policy which covers excess losses greater than \$250,000 up to a limit of \$2,000,000 per

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 16 - RISK MANAGEMENT (continued)

occurrence, but as of July 1, 1987, permission was received from the Michigan Department of Labor to drop this excess coverage for workers compensation. Accordingly, the City no longer carries any excess insurance. Unpaid claims liability is calculated using mortality and present value tables applied to the existing or potential benefits stream.

A summary of the claims activity is as follows:

	<u>Balance</u> <u>6/30/03</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>6/30/04</u>
Workers' Compensation	\$ 350,000	\$ 198,876	\$ 223,876	\$ 325,000
Dental	19,259	117,409	109,698	26,970
Unemployment Compensation	7,529	-	4,463	3,066
Health Insurance	<u>68,896</u>	<u>185,612</u>	<u>199,106</u>	<u>55,402</u>
	<u>\$ 445,684</u>	<u>\$ 501,897</u>	<u>\$ 537,143</u>	<u>\$ 410,438</u>

The City of Escanaba participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of June 30, 2004, the Authority had met the minimum requirements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 16 - RISK MANAGEMENT (continued)

At June 30, 2004, the City had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE 17 - UNREALIZED GAINS & LOSSES ON INVESTMENTS

Under the requirements of Governmental Accounting Standards Board Statement 31, the City records its investments at market value. As a result of market fluctuations an unrealized loss of \$1,084,067 has been recorded during the current fiscal year.

NOTE 18 - RECLASSIFICATION

Certain reclassifications have been made in the 2003 comparative totals to conform to the classifications used in 2004. Any reclassifications made were not material to the financial statements.

NOTE 19 - ELECTRIC PEAKING UNIT

Over the past several years the City has purchased and has been having an electric peaking unit generator refurbished for use in the Electric Fund for peak usage power generation. Some of the contractual time-lines were not met, consequently the unit was not producing power by the promised time frames. Due to this delay the City has withheld payment on the final installments of the purchase agreement. The contractor has sued the City for the balance of the contract which amounts to approximately \$1.4 million plus interest, unspecified damages and attorney's fees. The City has counter sued due to the unmet contractual time lines. The matter remains unresolved as of the date of this report.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes:				
Current property taxes	\$ 3,674,175	\$ 3,674,175	\$ 3,672,860	\$ (1,315)
Collection on prior levies	23,000	23,000	18,886	(4,114)
Payments in lieu of taxes:				
Harbor Tower	7,400	7,400	7,321	(79)
West Highland	12,250	12,250	11,872	(378)
Chippewa Indians	1,000	1,000	944	(56)
Bridgewood	300	300	300	-
Penalties and interest	29,000	29,000	13,011	(15,989)
Total taxes	<u>3,747,125</u>	<u>3,747,125</u>	<u>3,725,194</u>	<u>(21,931)</u>
Licenses and permits:				
Business licenses and permits	1,200	1,200	1,089	(111)
Nonbusiness licenses and permits	100	100	-	(100)
Zoning appeals fees	-	-	128	128
Total licenses and permits	<u>1,300</u>	<u>1,300</u>	<u>1,217</u>	<u>(83)</u>
Local sources:				
Chippewa Tribe gaming revenue	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
State grants:				
Anti-drug abuse	16,000	16,000	23,488	7,488
Dispatcher training funds	3,000	3,000	4,005	1,005
State shared revenues	1,696,750	1,637,050	1,624,716	(12,334)
Criminal justice	7,500	7,500	7,299	(201)
FEMA match funds	16,300	16,300	16,300	-
Total state grants	<u>1,739,550</u>	<u>1,679,850</u>	<u>1,675,808</u>	<u>(4,042)</u>
Federal sources:				
Anti-drug abuse	46,000	46,000	40,403	(5,597)
Bulletproof vest program	-	-	2,000	2,000
Project Safe Neighborhood Grant	-	41,200	43,401	2,201
FEMA grant	17,000	17,000	19,404	2,404
Total federal sources	<u>63,000</u>	<u>104,200</u>	<u>105,208</u>	<u>1,008</u>
Charges for services:				
Land use fees	-	-	2,100	2,100
Platting fees	1,000	1,000	302	(698)
Computer printouts	500	500	440	(60)
Composting	11,000	11,000	10,255	(745)
Cost recovery ordinances	1,500	1,500	800	(700)
Variance fees	1,250	1,250	500	(750)
Wedding ceremony fees	-	-	165	165
Duplicating and photostat fees	3,000	3,000	2,711	(289)
Tax collection fees	52,000	52,000	60,636	8,636
Township fire protection	63,800	63,800	63,843	43
Street Department for overhead	17,000	17,000	23,003	6,003
Recreation program	7,000	7,000	7,927	927
Farmers market	250	250	338	88
Dispatching	200,000	200,000	205,534	5,534
Wireless E-911 revenue	105,000	105,000	112,718	7,718
Boat launches	-	-	112	112
Delta solid waste	5,500	5,500	11,353	5,853

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Property owners share of sidewalk construction	\$ 58,500	58,500	54,761	(3,739)
Inspection fees	4,500	4,500	3,632	(868)
Training fees	-	-	95	95
Click it or ticket	-	-	1,384	1,384
Total charges for services	<u>531,800</u>	<u>531,800</u>	<u>562,609</u>	<u>30,809</u>
Fines and forfeitures:				
Penalties and interest	3,500	3,500	1,535	(1,965)
Nonmoving violations and district court	12,000	12,000	11,933	(67)
Penal fines, county allocation	<u>30,000</u>	<u>30,000</u>	<u>19,009</u>	<u>(10,991)</u>
Total fines and forfeitures	<u>45,500</u>	<u>45,500</u>	<u>32,477</u>	<u>(13,023)</u>
Miscellaneous:				
Vending machine sales	1,400	1,400	176	(1,224)
Commissions on pay telephone	1,100	1,100	1,044	(56)
Interest earnings	190,000	190,000	174,655	(15,345)
Rents	53,200	53,200	49,364	(3,836)
Jackie Sorenson aerobics fees	-	-	4,990	4,990
Sale of property	1,000	1,000	618	(382)
Purchase discounts	1,500	1,500	1,619	119
MMRMA Rap Grant	-	-	5,499	5,499
Contributions	5,000	5,000	4,555	(445)
Other	<u>5,550</u>	<u>5,550</u>	<u>10,744</u>	<u>5,194</u>
Total miscellaneous	<u>258,750</u>	<u>258,750</u>	<u>253,264</u>	<u>(5,486)</u>
TOTAL REVENUES	<u>6,397,025</u>	<u>6,378,525</u>	<u>6,365,777</u>	<u>(12,748)</u>
EXPENDITURES:				
General government:				
City Council:				
Salaries and wages	15,000	13,000	12,555	445
Fringe benefits	1,309	1,159	1,121	38
Office supplies	1,000	600	582	18
Operating supplies	400	250	477	(227)
Communications	200	150	74	76
Transportation	3,000	3,500	3,243	257
Printing and publishing	100	100	-	100
Insurance and bonds	650	650	631	19
Public relations	200	200	-	200
Memberships and dues	6,200	6,000	5,849	151
Meetings	2,000	1,900	820	1,080
Equipment rental	500	400	90	310
Books, magazines and periodicals	<u>250</u>	<u>-</u>	<u>23</u>	<u>(23)</u>
Total city council	<u>30,809</u>	<u>27,909</u>	<u>25,465</u>	<u>2,444</u>
City manager:				
Salaries and wages	107,676	137,676	130,997	6,679
Fringe benefits	44,464	51,364	52,110	(746)
Office supplies	3,300	3,300	3,182	118
Communications	2,200	2,200	2,405	(205)
Transportation	2,000	2,000	4,763	(2,763)
Printing and publishing	500	500	1,450	(950)
Insurance and bonds	30	30	-	30
Memberships and dues	500	500	-	500
Meetings	1,250	1,250	210	1,040

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Equipment repair	\$ 300	\$ 300	\$ -	\$ 300
Equipment rental	6,200	6,200	6,392	(192)
Books, magazines and periodicals	550	550	528	22
New equipment	-	-	200	(200)
	168,970	205,870	202,237	3,633
Less amount applicable to utilities	(118,279)	(144,110)	(141,531)	(2,579)
Total city manager	50,691	61,760	60,706	1,054
City elections:				
Salaries and wages	1,071	1,071	67	1,004
Fringe benefits	322	322	50	272
Professional services	5,000	4,000	1,658	2,342
Office supplies	2,500	2,100	4,798	(2,698)
Transportation	300	200	64	136
Printing and publishing	3,000	2,000	1,059	941
Insurance and bonds	-	-	32	(32)
Meetings	200	100	145	(45)
Equipment repair	3,000	2,000	-	2,000
Equipment rental	3,620	3,120	2,787	333
Total city elections	19,013	14,913	10,660	4,253
Accounting:				
Salaries and wages	131,586	131,586	132,094	(508)
Fringe benefits	54,800	53,800	53,953	(153)
Professional services	400	300	-	300
Office supplies	5,550	5,550	5,228	322
Communications	1,000	1,000	944	56
Printing and publishing	2,000	1,000	240	760
Insurance and bonds	650	650	667	(17)
Memberships and dues	150	150	160	(10)
Meetings	1,200	-	-	-
Equipment repair	150	150	-	150
Equipment rental	4,050	4,050	4,173	(123)
Books, magazines and periodicals	100	100	80	20
	201,636	198,336	197,539	797
Less amount applicable to utilities	(120,982)	(119,001)	(118,494)	(507)
Total accounting	80,654	79,335	79,045	290
City assessor:				
Salaries and wages	79,270	79,270	79,699	(429)
Fringe benefits	32,243	32,243	32,077	166
Office supplies	11,200	10,700	10,313	387
Communications	800	700	574	126
Transportation	300	300	85	215
Printing and publishing	500	500	639	(139)
Memberships and dues	335	335	365	(30)
Meetings	400	400	270	130
Equipment repair	1,500	1,200	858	342
Equipment rental	3,500	3,200	3,223	(23)
Book, magazines and periodicals	1,650	450	395	55

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
New equipment	\$ 500	\$ 500	\$ -	\$ 500
Professional services	500	-	-	-
Total city assessor	<u>132,698</u>	<u>129,798</u>	<u>128,498</u>	<u>1,300</u>
City attorney:				
Professional services	49,000	49,000	48,000	1,000
Office supplies	500	500	217	283
Books, magazines and periodicals	<u>1,600</u>	<u>3,600</u>	<u>4,935</u>	<u>(1,335)</u>
	51,100	53,100	53,152	(52)
Less amount applicable to utilities	<u>(25,550)</u>	<u>(25,550)</u>	<u>(26,575)</u>	<u>1,025</u>
Total city attorney	<u>25,550</u>	<u>27,550</u>	<u>26,577</u>	<u>973</u>
Stenographer:				
Salaries and wages	32,056	25,056	18,709	6,347
Fringe benefits	17,908	16,208	9,559	6,649
Office supplies	800	800	210	590
Communications	250	250	366	(116)
Equipment repair	200	200	-	200
Equipment rental	1,500	1,500	1,569	(69)
Books, magazines and periodicals	<u>75</u>	<u>75</u>	<u>20</u>	<u>55</u>
Total stenographer	<u>52,789</u>	<u>44,089</u>	<u>30,433</u>	<u>13,656</u>
Human resources:				
Salaries and wages	52,555	52,555	52,761	(206)
Fringe benefits	16,886	16,886	16,348	538
Professional services	6,600	12,100	15,396	(3,296)
Office supplies	3,600	3,600	2,196	1,404
Communications	600	600	264	336
Transportation	-	-	136	(136)
Printing and publishing	2,300	3,300	3,084	216
Memberships and dues	400	400	160	240
Meetings	1,100	1,100	490	610
Equipment repair	100	100	-	100
Equipment rental	2,500	2,500	2,082	418
Books, magazines and periodicals	600	600	316	284
New equipment	<u>-</u>	<u>-</u>	<u>55</u>	<u>(55)</u>
	87,241	93,741	93,288	453
Less amount applicable to utilities	<u>(30,534)</u>	<u>(30,534)</u>	<u>(32,633)</u>	<u>2,099</u>
Total human resources	<u>56,707</u>	<u>63,207</u>	<u>60,655</u>	<u>2,552</u>
Purchasing and stock department:				
Salaries and wages	76,100	74,200	73,835	365
Fringe benefits	31,382	30,632	30,723	(91)
Professional services	-	-	200	(200)
Office supplies	800	800	1,004	(204)
Building supplies	100	100	2	98
Communications	1,200	1,200	1,021	179
Transportation	500	500	529	(29)
Printing and publishing	2,100	2,100	2,409	(309)
Insurance and bonds	1,500	1,500	1,224	276
Public utilities	1,000	950	851	99
Building maintenance	200	200	1	199

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Meetings	\$ 250	\$ 100	\$ -	\$ 100
Equipment repair	2,000	1,000	1,374	(374)
Equipment rental	1,400	1,200	1,009	191
New equipment	750	600	656	(56)
	119,282	115,082	114,838	244
Less amount applicable to utilities	(71,569)	(69,049)	(68,872)	(177)
Total purchasing and stock department	47,713	46,033	45,966	67
Board of review:				
Professional services	1,700	1,800	1,800	-
Office supplies	80	80	13	67
Tuition assistance	100	100	60	40
Transportation	-	-	171	(171)
Printing and publishing	500	400	275	125
Books, magazines and periodicals	-	-	40	(40)
Total board of review	2,380	2,380	2,359	21
Treasurer:				
Salaries and wages	107,367	122,367	124,937	(2,570)
Fringe benefits	43,913	43,913	44,669	(756)
Professional services	4,000	4,000	1,282	2,718
Office supplies	3,700	3,700	2,115	1,585
Communications	1,400	1,400	1,235	165
Transportation	1,800	1,800	-	1,800
Printing and publishing	1,500	1,500	1,299	201
Insurance and bonds	900	900	853	47
Memberships and dues	100	100	35	65
Meetings	400	400	-	400
Equipment repair	100	100	79	21
Equipment rental	2,500	2,500	2,368	132
Books, magazines and periodicals	700	700	189	511
	168,380	183,380	179,061	4,319
Less amount applicable to utilities	(151,542)	(165,042)	(161,110)	(3,932)
Total treasurer	16,838	18,338	17,951	387
City clerk:				
Salaries and wages	74,064	76,414	78,430	(2,016)
Fringe benefits	37,252	37,252	38,262	(1,010)
Office supplies	4,950	4,950	3,129	1,821
Communications	800	800	815	(15)
Transportation	2,650	2,650	1,132	1,518
Printing and publishing	4,000	4,000	4,130	(130)
Memberships and dues	260	260	245	15
Meetings	1,000	1,000	439	561
Equipment repair	-	-	116	(116)
Equipment rental	3,000	3,000	2,988	12
Books, magazines and periodicals	660	660	639	21
New equipment	-	650	650	-
Total city clerk	128,636	131,636	130,975	661
Billing department:				
Salaries and wages	145,070	127,070	130,273	(3,203)
Fringe benefits	76,501	65,001	63,622	1,379

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Clothing	\$ 500	\$ 500	\$ 282	\$ 218
Professional services	400	400	389	11
Office supplies	20,500	22,000	21,772	228
Communications	1,350	1,350	1,285	65
Transportation	-	-	1,721	(1,721)
Printing and publishing	3,500	2,000	2,968	(968)
Meetings	-	-	105	(105)
Equipment repair	-	-	98	(98)
Equipment rental	12,500	6,000	6,618	(618)
Books, magazines and periodicals	150	150	100	50
	<u>260,471</u>	<u>224,471</u>	<u>229,233</u>	<u>(4,762)</u>
Less amount applicable to utilities	<u>(234,424)</u>	<u>(190,325)</u>	<u>(206,310)</u>	<u>15,985</u>
Total billing department	<u>26,047</u>	<u>34,146</u>	<u>22,923</u>	<u>11,223</u>
LAN administrator:				
Salaries and wages	36,854	42,854	59,334	(16,480)
Fringe benefits	19,027	18,327	18,478	(151)
Professional services	-	3,000	3,150	(150)
Office supplies	350	150	162	(12)
Operating supplies	50	50	12	38
Transportation	1,000	1,000	680	320
Education and training	100	100	-	100
Memberships and dues	50	50	-	50
Equipment repair	200	-	-	-
Equipment rental	2,400	2,400	2,267	133
Books, magazines and periodicals	-	-	110	(110)
Telephone	650	650	305	345
	<u>60,681</u>	<u>68,581</u>	<u>84,498</u>	<u>(15,917)</u>
Less amount applicable to utilities	<u>(36,409)</u>	<u>(35,148)</u>	<u>(40,199)</u>	<u>5,051</u>
Total LAN administrator	<u>24,272</u>	<u>33,433</u>	<u>44,299</u>	<u>(10,866)</u>
Independent auditing:				
Professional services	16,250	16,100	16,100	-
Less amount applicable to utilities	<u>(8,125)</u>	<u>(8,050)</u>	<u>(8,050)</u>	<u>-</u>
Total independent auditing	<u>8,125</u>	<u>8,050</u>	<u>8,050</u>	<u>-</u>
Farmers market:				
Public utilities and repairs	450	200	200	-
Public Works - City Hall/Library:				
Building rental	123,848	123,848	123,848	-
Building lease	300,925	300,925	300,905	20
	<u>424,773</u>	<u>424,773</u>	<u>424,753</u>	<u>20</u>
Less amount applicable to utilities	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total public works - city hall/library	<u>374,773</u>	<u>374,773</u>	<u>374,753</u>	<u>20</u>
Civic center:				
Salaries and wages	61,591	61,591	60,273	1,318
Fringe benefits	18,326	18,326	17,221	1,105

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Professional services	\$ 500	\$ 500	\$ 225	\$ 275
Office supplies	2,800	1,700	1,496	204
Building supplies	7,500	7,500	6,125	1,375
Communications	1,700	1,700	1,798	(98)
Transportation	1,400	1,400	1,516	(116)
Printing and publishing	-	-	75	(75)
Insurance and bonds	3,850	3,850	3,973	(123)
Public utilities	31,000	34,000	35,131	(1,131)
Building maintenance	9,042	7,842	6,744	1,098
Equipment repair	1,500	1,500	1,047	453
Equipment rental	600	600	557	43
New equipment	1,000	1,000	900	100
Total civic center	<u>140,809</u>	<u>141,509</u>	<u>137,081</u>	<u>4,428</u>
Rental property:				
Insurance and bonds	400	410	406	4
Public utilities	-	-	8	(8)
Total rental property	<u>400</u>	<u>410</u>	<u>414</u>	<u>(4)</u>
Tourism promotion:				
Insurance and bonds	400	400	347	53
Waterfront Art show	700	700	894	(194)
Dog sled races	4,500	4,500	668	3,832
Logging Congress	2,500	2,500	1,663	837
Civil War Reenactment	6,500	14,500	5,293	9,207
Car show	500	500	686	(186)
Escanaba Da Festival	3,500	3,500	-	3,500
Folk Fest	500	500	616	(116)
PWT Fishing Tournament	5,000	5,000	11,893	(6,893)
Cabela's Tournament	-	-	5,181	(5,181)
Rumble UP Motorcycle Rally	-	-	768	(768)
Total tourism promotion	<u>24,100</u>	<u>32,100</u>	<u>28,009</u>	<u>4,091</u>
Boat launches:				
Salaries and wages	-	-	28	(28)
Fringe benefits	-	-	4	(4)
Public utilities	-	-	16	(16)
Equipment rental	-	-	175	(175)
Total boat launches	<u>-</u>	<u>-</u>	<u>223</u>	<u>(223)</u>
Promotional:				
Community promotion	17,300	17,300	14,462	2,838
Celebration flags	1,659	1,659	877	782
Fourth of July	12,690	16,015	15,991	24
Total promotional	<u>31,649</u>	<u>34,974</u>	<u>31,330</u>	<u>3,644</u>
Total general government	<u>1,275,103</u>	<u>1,306,543</u>	<u>1,266,572</u>	<u>39,971</u>
Public safety:				
Public Safety Department:				
Salaries and wages	1,856,292	1,852,292	1,804,491	47,801
Fringe benefits	583,527	566,027	568,261	(2,234)
Clothing	16,700	16,700	11,354	5,346

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Uniform maintenance	\$ 2,600	\$ 2,600	\$ 1,455	\$ 1,145
Professional services	1,800	1,800	250	1,550
Office supplies	26,490	19,490	21,125	(1,635)
Building supplies	4,000	4,000	1,888	2,112
Communications	9,500	9,500	8,860	640
Public relations	1,500	1,500	1,212	288
Transportation	5,000	5,000	3,023	1,977
Printing and publishing	3,100	3,100	570	2,530
Insurance and bonds	20,000	20,000	27,289	(7,289)
Public utilities	33,000	33,000	32,953	47
Building maintenance	1,000	1,000	5,734	(4,734)
Memberships and dues	800	800	325	475
Meetings	5,500	5,500	7,180	(1,680)
Equipment repair	15,750	15,750	17,520	(1,770)
Equipment rental	137,830	137,830	138,128	(298)
Hydrant rental	66,160	66,160	66,161	(1)
Books, magazines and periodicals	5,400	5,400	1,124	4,276
New equipment	32,500	31,500	19,215	12,285
Building improvements	3,600	3,600	4,255	(655)
Total public safety department	<u>2,832,049</u>	<u>2,802,549</u>	<u>2,742,373</u>	<u>60,176</u>
Community preservation:				
Salaries and wages	76,576	76,576	77,294	(718)
Fringe benefits	25,260	25,260	25,409	(149)
Professional services	1,000	1,000	-	1,000
Office supplies	6,150	6,150	5,648	502
Communications	1,200	1,200	983	217
Transportation	2,150	2,150	980	1,170
Printing and publishing	1,000	1,000	375	625
Memberships and dues	575	575	185	390
Meetings	1,000	1,000	358	642
Equipment repair	200	200	-	200
Equipment rental	4,600	4,600	4,623	(23)
Books, magazines and periodicals	200	200	75	125
New equipment	-	-	155	(155)
Total community preservation	<u>119,911</u>	<u>119,911</u>	<u>116,085</u>	<u>3,826</u>
Anti-drug abuse grant:				
Salaries and wages	52,176	54,176	54,314	(138)
Fringe benefits	17,667	17,667	17,533	134
Clothing	100	100	-	100
Office supplies	500	500	10	490
Transportation	2,500	2,500	2,046	454
Telephone	600	600	287	313
Professional services	22,000	24,000	25,694	(1,694)
Total anti-drug abuse grant	<u>95,543</u>	<u>99,543</u>	<u>99,884</u>	<u>(341)</u>
Public safety training:				
Office supplies	1,000	1,000	-	1,000
Transportation	2,000	2,000	1,081	919
Meetings	4,500	4,500	450	4,050
Books, magazines and periodicals	300	-	-	-
Total public safety training	<u>7,800</u>	<u>7,500</u>	<u>1,531</u>	<u>5,969</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Dispatchers:				
Salaries and wages	\$ 361,539	\$ 361,539	\$ 345,930	\$ 15,609
Fringe benefits	139,115	139,115	137,352	1,763
Clothing	2,000	2,000	1,987	13
Uniform maintenance	200	200	-	200
Office supplies	2,600	2,600	977	1,623
Communications	3,600	3,600	2,847	753
Transportation	1,700	1,700	439	1,261
Printing and publishing	400	400	-	400
Education and training	3,000	3,000	690	2,310
Memberships and dues	100	100	205	(105)
Equipment repair	13,371	14,671	15,480	(809)
Equipment rental	26,260	20,060	13,325	6,735
New equipment	1,300	-	-	-
Total dispatchers	<u>555,185</u>	<u>548,985</u>	<u>519,232</u>	<u>29,753</u>
Project Safe Neighborhood:				
Salaries and wages	-	30,450	30,160	290
Fringe benefits	-	9,350	9,437	(87)
Clothing	-	200	161	39
Transportation	-	1,200	4,310	(3,110)
Telephone	-	-	99	(99)
Total project safe neighborhood	<u>-</u>	<u>41,200</u>	<u>44,167</u>	<u>(2,967)</u>
Total public safety	<u>3,610,488</u>	<u>3,619,688</u>	<u>3,523,272</u>	<u>96,416</u>
Highways, streets and public works:				
City engineer:				
Salaries and wages	191,388	189,888	189,217	671
Fringe benefits	75,876	73,876	74,103	(227)
Professional services	1,000	-	104	(104)
Office supplies	2,500	3,000	2,197	803
Communications	1,500	1,500	1,161	339
Transportation	1,000	1,000	668	332
Insurance and bonds	200	200	189	11
Memberships and dues	50	50	80	(30)
Meetings	500	800	710	90
Equipment repair	500	500	358	142
Equipment rental	10,700	9,000	9,815	(815)
Books, magazines and periodicals	200	200	402	(202)
New equipment	1,500	-	-	-
Total city engineer	<u>286,914</u>	<u>280,014</u>	<u>279,004</u>	<u>1,010</u>
Care of trees and shrubs:				
Salaries and wages	45,991	45,991	47,699	(1,708)
Fringe benefits	19,008	19,008	20,299	(1,291)
Professional services	5,000	5,000	1,800	3,200
Office supplies	6,000	6,000	5,982	18
Equipment repair	1,000	1,000	1,702	(702)
Equipment rental	20,000	20,000	14,347	5,653
New equipment	500	500	-	500
Damage to private property	-	-	119	(119)
Total care of trees and shrubs	<u>97,499</u>	<u>97,499</u>	<u>91,948</u>	<u>5,551</u>

See accompany notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Planning commission:				
Office supplies	\$ 300	\$ 300	\$ 135	\$ 165
Transportation	300	300	-	300
Printing and publishing	500	500	632	(132)
Meetings	500	500	70	430
Books, magazines and periodicals	450	450	111	339
Total planning commission	2,050	2,050	948	1,102
Street lighting	112,000	111,000	110,810	190
Crosswalks	10,000	13,000	12,795	205
Sidewalks:				
Salaries and wages	-	-	458	(458)
Fringe benefits	-	-	87	(87)
Professional services	90,000	64,000	61,309	2,691
Operating supplies	-	-	674	(674)
Insurance and bonds	4,000	4,000	4,401	(401)
Equipment rental	-	-	262	(262)
Overhead on salaries and wages	-	-	74	(74)
Total sidewalks	94,000	68,000	67,265	735
Alleys	47,000	32,000	31,857	143
Crossing guards	26,500	27,500	25,552	1,948
Less administrative charge to street funds	(27,000)	(25,000)	(32,835)	7,835
Total highways, streets and public works	648,963	606,063	587,344	18,719
Sanitation:				
Sanitary landfill:				
Professional services	245,000	240,000	236,224	3,776
Landfill road cleanup:				
Salaries and wages	2,100	2,100	202	1,898
Fringe benefits	868	868	71	797
Professional services	-	-	250	(250)
Equipment rental	1,000	1,000	380	620
Total landfill road cleanup	3,968	3,968	903	3,065
Mulching:				
Salaries and wages	65,015	59,015	58,395	620
Fringe benefits	27,910	24,910	21,878	3,032
Office supplies	300	300	117	183
Printing and publishing	300	300	576	(276)
Public utilities	600	600	572	28
Building maintenance	-	-	51	(51)
Equipment rental	72,000	56,000	58,052	(2,052)
Total mulching	166,125	141,125	139,641	1,484
Snow plowing:				
Salaries and wages	3,730	3,030	2,502	528
Fringe benefits	1,541	1,541	955	586

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Office supplies	\$ -	\$ -	\$ 37	\$ (37)
Equipment rental	3,000	2,900	2,929	(29)
Total snow plowing	<u>8,271</u>	<u>7,471</u>	<u>6,423</u>	<u>1,048</u>
Solid waste collection:				
Salaries and wages	215,033	219,033	215,052	3,981
Fringe benefits	101,178	104,178	105,955	(1,777)
Clothing	250	250	60	190
Professional services	10,000	10,000	6,918	3,082
Office supplies	600	600	403	197
Printing and publishing	-	-	454	(454)
Insurance and bonds	1,400	1,400	975	425
Equipment repair	-	-	100	(100)
Equipment rental	77,000	77,000	75,932	1,068
Total solid waste collection	<u>405,461</u>	<u>412,461</u>	<u>405,849</u>	<u>6,612</u>
Total sanitation	<u>828,825</u>	<u>805,025</u>	<u>789,040</u>	<u>15,985</u>
Community services:				
Professional services	15,000	15,000	15,000	-
Building rental	9,148	9,148	9,148	-
Total community services	<u>24,148</u>	<u>24,148</u>	<u>24,148</u>	<u>-</u>
Recreation:				
Band:				
Salaries and wages	-	-	50	(50)
Fringe benefits	-	-	9	(9)
Uniform maintenance	500	500	342	158
Professional services	33,000	29,600	32,365	(2,765)
Office supplies	700	700	67	633
Transportation	550	550	484	66
Printing and publishing	150	150	25	125
Public utilities	100	100	317	(217)
Building maintenance	400	400	14	386
Equipment repair	400	400	-	400
Equipment rental	600	600	412	188
New equipment	1,000	1,000	485	515
Total band	<u>37,400</u>	<u>34,000</u>	<u>34,570</u>	<u>(570)</u>
Parks:				
Salaries and wages	87,007	83,007	78,781	4,226
Fringe benefits	35,960	32,960	26,848	6,112
Professional services	-	-	230	(230)
Office supplies	4,000	4,000	4,305	(305)
Building supplies	800	800	576	224
Insurance and bonds	800	800	1,002	(202)
Public utilities	5,500	5,500	6,898	(1,398)
Building maintenance	4,000	4,000	5,327	(1,327)
Equipment repair	1,200	1,200	1,192	8
Equipment rental	40,000	32,000	32,001	(1)
New equipment	1,600	1,600	999	601
Building improvements	14,000	14,000	8,943	5,057
Telephone	600	600	489	111
Ludington Park watering	-	-	6,183	(6,183)
Total parks	<u>195,467</u>	<u>180,467</u>	<u>173,774</u>	<u>6,693</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Recreation department - administration:				
Salaries and wages	\$ 77,218	\$ 55,218	\$ 69,392	\$ (14,174)
Fringe benefits	26,044	21,144	23,692	(2,548)
Office supplies	5,300	4,800	4,609	191
Communications	1,500	1,500	1,525	(25)
Transportation	1,000	500	543	(43)
Printing and publishing	-	-	412	(412)
Memberships and dues	300	300	-	300
Meetings	500	500	25	475
Equipment repair	200	200	293	(93)
Equipment rental	6,700	6,200	4,166	2,034
Books, magazines and periodicals	-	-	406	(406)
Total recreation department - administration	<u>118,762</u>	<u>90,362</u>	<u>105,063</u>	<u>(14,701)</u>
Summer sports:				
Salaries and wages	69,264	64,264	62,546	1,718
Fringe benefits	23,039	21,539	20,534	1,005
Clothing	250	250	15	235
Uniform maintenance	250	250	-	250
Professional services	500	500	-	500
Office supplies	9,050	9,050	10,876	(1,826)
Building supplies	100	100	27	73
Communications	250	250	334	(84)
Slam Fest volleyball	750	750	439	311
Printing and publishing	1,500	1,500	800	700
Education and training	500	500	136	364
Insurance and bonds	300	300	180	120
Public utilities	4,300	4,300	5,002	(702)
Building maintenance	17,908	7,908	2,992	4,916
Membership and dues	-	-	75	(75)
Equipment repair	750	750	268	482
Equipment rental	35,000	25,000	20,300	4,700
Books, magazines and periodicals	-	-	10	(10)
New equipment	800	800	3,993	(3,193)
Building improvements	5,000	5,000	145	4,855
Total summer sports	<u>169,511</u>	<u>143,011</u>	<u>128,672</u>	<u>14,339</u>
Wading pool:				
Salaries and wages	5,221	5,221	4,918	303
Fringe benefits	399	399	623	(224)
Fees and per diem	50	50	50	-
Professional services	300	300	125	175
Office supplies	1,100	1,100	706	394
Communications	550	550	371	179
Insurance and bonds	400	400	330	70
Public utilities	2,800	1,000	1,559	(559)
Building maintenance	1,100	1,000	557	443
Equipment repair	300	100	-	100
Equipment rental	200	100	-	100
Education and training	100	-	-	-
Total wading pool	<u>12,520</u>	<u>10,220</u>	<u>9,239</u>	<u>981</u>
Winter sports:				
Salaries and wages	37,090	31,090	31,649	(559)
Fringe benefits	11,987	10,487	10,352	135

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Clothing	\$ 200	\$ 200	\$ 167	\$ 33
Uniform maintenance	50	50	-	50
Office supplies	1,500	1,000	363	637
Building supplies	200	200	157	43
Communications	950	950	979	(29)
Printing and publishing	1,200	1,200	1,850	(650)
Insurance and bonds	225	225	221	4
Public utilities	3,200	3,000	3,275	(275)
Building maintenance	3,607	2,107	1,967	140
Equipment repair	300	300	299	1
Equipment rental	14,000	13,535	6,788	6,747
Total winter sports	74,509	64,344	58,067	6,277
Beach:				
Salaries and wages	31,494	25,494	23,776	1,718
Fringe benefits	2,409	2,409	1,854	555
Clothing	400	400	125	275
Uniform maintenance	50	50	-	50
Professional services	500	500	95	405
Office supplies	3,250	950	433	517
Building supplies	1,000	500	606	(106)
Communications	1,100	1,100	1,270	(170)
Printing and publishing	100	100	-	100
Insurance and bonds	450	450	460	(10)
Public utilities	1,000	1,000	1,322	(322)
Building maintenance	1,000	1,000	113	887
Meetings	300	300	40	260
Equipment repair	300	300	-	300
Equipment rental	500	500	-	500
New equipment	1,050	50	-	50
Total beach	44,903	35,103	30,094	5,009
Civic center activities:				
Salaries and wages	39,089	38,839	42,343	(3,504)
Fringe benefits	7,216	6,216	7,105	(889)
Professional services	2,000	1,200	400	800
Office supplies	2,000	1,500	1,058	442
Operating supplies	300	300	-	300
Jackie Sorenson aerobics	6,000	5,500	4,729	771
Printing and publishing	4,500	2,500	75	2,425
Meetings	300	300	-	300
Equipment repair	750	750	1,174	(424)
Travel expense, auto allowance	-	-	79	(79)
Total civic center activities	62,155	57,105	56,963	142
Total recreation	715,227	614,612	596,442	18,170
Cultural:				
Historical society building:				
Fringe benefits	95	95	-	95
Insurance and bonds	250	250	250	-
Building maintenance	237	237	-	237
Total historical society building	582	582	250	332

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other functions:				
Insurance and bonds	\$ 13,500	\$ 13,500	\$ 13,304	\$ 196
TOTAL EXPENDITURES	<u>7,116,836</u>	<u>6,990,161</u>	<u>6,800,372</u>	<u>189,789</u>
EXCESS REVENUES (EXPENDITURES)	<u>(719,811)</u>	<u>(611,636)</u>	<u>(434,595)</u>	<u>177,041</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	(116,740)	(116,740)
Operating transfers in:				
Electric Fund	518,048	518,048	518,048	-
Land Development Fund	60,000	60,000	60,000	-
EDC Fund	14,750	14,950	14,941	(9)
Sanitary Landfill Fund	198,500	198,500	182,298	(16,202)
Operating transfers out:				
Capital Projects Fund	-	(17,500)	(15,712)	1,788
Library Fund	(243,300)	(243,300)	(243,300)	-
Parking Maintenance Fund	(10,000)	(16,000)	(15,562)	438
TOTAL OTHER FINANCING SOURCES (USES)	<u>537,998</u>	<u>514,698</u>	<u>383,973</u>	<u>(130,725)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(181,813)</u>	<u>(96,938)</u>	<u>(50,622)</u>	<u>46,316</u>
Fund balance, beginning of year	<u>181,813</u>	<u>96,938</u>	<u>4,223,130</u>	<u>4,126,192</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,172,508</u>	<u>\$ 4,172,508</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2004

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
Local sources	\$ -	\$ -	\$ 147,091	\$ 147,091
State grants	1,140,000	1,133,485	960,126	(173,359)
Federal sources	-	302,000	75,247	(226,753)
TOTAL REVENUES	1,140,000	1,435,485	1,182,464	(253,021)
EXPENDITURES:				
Community services:				
North Shore boat launch	1,303,000	1,281,000	1,276,953	4,047
Power plant RR crossing	200,000	-	-	-
Confined space/WMD implementation	-	75,500	75,247	253
Downtown rental rehabilitation	-	1,225	1,210	15
North channel wall light replacement	-	68,660	1,643	67,017
FEMA tanker	-	226,500	114,470	112,030
Public Safety Communications Grant	-	110,350	32,621	77,729
Aronson Island boat launch	-	7,000	5,961	1,039
TOTAL EXPENDITURES	1,503,000	1,770,235	1,508,105	262,130
EXCESS REVENUES (EXPENDITURES)	(363,000)	(334,750)	(325,641)	9,109
OTHER FINANCING SOURCES:				
Operating transfers in:				
Electric Fund	-	14,800	14,800	-
Marina Fund	-	3,500	2,981	(519)
Land Development Fund	363,000	313,000	304,438	(8,562)
Housing Rehab Fund	-	3,450	3,422	(28)
TOTAL OTHER FINANCING SOURCES	363,000	334,750	325,641	(9,109)
EXCESS REVENUES (EXPENDITURES) AND OTHER FINANCING SOURCES	-	-	-	-
Fund balance, beginning of year	-	-	41	41
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 41	\$ 41

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2004

	Special Revenue Funds	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and equivalents	\$ 106,254	\$ -	\$ -	\$ 106,254
Investments, at market	5,206,193	-	1,192,527	6,398,720
Receivables:				
Accounts, net of bad debt allowance	27,625	-	-	27,625
Mortgages, land contracts and other notes	2,117,472	-	-	2,117,472
Special assessments	23,918	-	-	23,918
Accrued interest	55,314	-	13,565	68,879
Due from other funds:				
Grants Fund	35,469	-	-	35,469
Due from other governments:				
State of Michigan	173,349	-	-	173,349
Advances to other funds	345,000	-	-	345,000
Real estate held for resale	8,200	-	-	8,200
TOTAL ASSETS	<u>\$ 8,098,794</u>	<u>\$ -</u>	<u>\$ 1,206,092</u>	<u>\$ 9,304,886</u>
LIABILITIES:				
Accounts payable	\$ 168,257	\$ -	\$ -	\$ 168,257
Due to other funds:				
General Fund	10,012	-	-	10,012
Deferred revenue	53,124	-	-	53,124
TOTAL LIABILITIES	<u>231,393</u>	<u>-</u>	<u>-</u>	<u>231,393</u>
FUND BALANCES:				
Reserved for:				
Principal	-	-	989,349	989,349
Capital improvements	-	-	216,743	216,743
Long-term notes receivable	2,091,709	-	-	2,091,709
Revolving loans	1,367,197	-	-	1,367,197
UPSET expenses	103,155	-	-	103,155
Reading materials	265,625	-	-	265,625
Land held for resale	8,200	-	-	8,200
Future DDA projects as listed in the TIF Development Plan	430,244	-	-	430,244
Unreserved:				
Undesignated	3,601,271	-	-	3,601,271
TOTAL FUND BALANCES	<u>7,867,401</u>	<u>-</u>	<u>1,206,092</u>	<u>9,073,493</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,098,794</u>	<u>\$ -</u>	<u>\$ 1,206,092</u>	<u>\$ 9,304,886</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

For the year ended June 30, 2004

	Special Revenue Funds	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:				
Taxes	\$ 233,348	\$ -	\$ -	\$ 233,348
Local sources	200,598	-	-	200,598
State grants	1,088,430	-	-	1,088,430
Federal sources	422,350	-	-	422,350
Charges for services	200,525	-	-	200,525
Fines and forfeitures	177,849	-	-	177,849
Interest and dividends	-	-	52,320	52,320
Miscellaneous	866,537	-	-	866,537
TOTAL REVENUES	3,189,637	-	52,320	3,241,957
EXPENDITURES:				
Public safety	255,787	-	-	255,787
Highways, streets and public works	2,010,318	-	-	2,010,318
Cultural	516,608	-	-	516,608
Urban redevelopment and housing	136,700	-	-	136,700
Economic development	131,606	-	-	131,606
Capital projects	-	62,848	-	62,848
Debt service	82,718	-	-	82,718
TOTAL EXPENDITURES	3,133,737	62,848	-	3,196,585
EXCESS REVENUES (EXPENDITURES)	55,900	(62,848)	52,320	45,372
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	(120,628)	-	(35,869)	(156,497)
Operating transfers in	777,594	62,848	-	840,442
Operating transfers out	(1,014,931)	-	(53,959)	(1,068,890)
TOTAL OTHER FINANCING SOURCES (USES)	(357,965)	62,848	(89,828)	(384,945)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(302,065)	-	(37,508)	(339,573)
Fund balances, beginning of year	8,169,466	-	1,243,600	9,413,066
FUND BALANCES, END OF YEAR	\$ 7,867,401	\$ -	\$ 1,206,092	\$ 9,073,493

See accompanying notes to financial statements.

GENERAL FUND

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	2004	2003
ASSETS:		
Cash and equivalents	\$ 6,424	\$ 8,786
Investments, at market	3,637,685	2,784,213
Receivables:		
Accounts, net of bad debt allowance	152,355	830,983
Contracts for rental property	1,876	2,444
Special assessments	60,301	59,509
Accrued interest	44,374	53,542
Due from other funds:		
Grants Fund	107,754	176,527
Sanitary Landfill Fund	10,012	1,409
Risk Retention Fund	-	25,470
Health Insurance Fund	34,960	-
Due from other governments:		
State of Michigan	233,833	214,619
Federal government	-	12,196
Inventory	419,981	446,637
Prepaid expenses	1,028	1,028
TOTAL ASSETS	<u>\$ 4,710,583</u>	<u>\$ 4,617,363</u>
LIABILITIES:		
Accounts payable	\$ 131,301	\$ 152,869
Accrued salaries, wages and fringes	246,280	169,563
Due to other governments	87,447	2,200
Due to other funds:		
Public Safety Pension Fund	453	-
Deferred revenue	72,594	69,601
TOTAL LIABILITIES	<u>538,075</u>	<u>394,233</u>
FUND BALANCES:		
Reserved for:		
Inventory	419,981	446,637
Prepaid expenditures	1,028	1,028
Unreserved:		
Undesignated	3,751,499	3,775,465
TOTAL FUND BALANCES	<u>4,172,508</u>	<u>4,223,130</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,710,583</u>	<u>\$ 4,617,363</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2004 and 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>2003</u>
REVENUES:				
Taxes	\$ 3,747,125	\$ 3,725,194	\$ (21,931)	\$ 3,654,871
Licenses and permits	1,300	1,217	(83)	1,460
Local sources	10,000	10,000	-	27,150
State grants	1,679,850	1,675,808	(4,042)	1,714,967
Federal sources	104,200	105,208	1,008	64,314
Charges for services	531,800	562,609	30,809	546,117
Fines and forfeitures	45,500	32,477	(13,023)	21,219
Miscellaneous	258,750	253,264	(5,486)	286,043
TOTAL REVENUES	<u>6,378,525</u>	<u>6,365,777</u>	<u>(12,748)</u>	<u>6,316,141</u>
EXPENDITURES:				
General government	1,306,543	1,266,572	39,971	1,287,911
Public safety	3,619,688	3,523,272	96,416	3,352,685
Highways, streets and public works	606,063	587,344	18,719	570,895
Sanitation	805,025	789,040	15,985	779,437
Community services	24,148	24,148	-	28,148
Recreation	614,612	596,442	18,170	664,268
Cultural	582	250	332	509
Other functions	13,500	13,304	196	13,385
TOTAL EXPENDITURES	<u>6,990,161</u>	<u>6,800,372</u>	<u>189,789</u>	<u>6,697,238</u>
EXCESS REVENUES (EXPENDITURES)	<u>(611,636)</u>	<u>(434,595)</u>	<u>177,041</u>	<u>(381,097)</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	(116,740)	(116,740)	52,492
Operating transfers in	791,498	775,287	(16,211)	777,061
Operating transfers out	(276,800)	(274,574)	2,226	(255,408)
TOTAL OTHER FINANCING SOURCES (USES)	<u>514,698</u>	<u>383,973</u>	<u>(130,725)</u>	<u>574,145</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(96,938)</u>	<u>(50,622)</u>	<u>46,316</u>	<u>193,048</u>
Fund balance, beginning of year	<u>96,938</u>	<u>4,223,130</u>	<u>4,126,192</u>	<u>4,030,082</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 4,172,508</u>	<u>\$ 4,172,508</u>	<u>\$ 4,223,130</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

CITY OF ESCANABA, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

June 30, 2004,
with comparative totals for the year ended June 30, 2003

	Major Street Fund	Local Street Fund	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	Drug Law Enforcement Fund
ASSETS:						
Cash and equivalents	\$ -	\$ -	\$ -	\$ 3,099	\$ -	\$ 103,155
Investments, at market	578,773	258,573	2,048	450,383	6,990	6,199
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	-	-
Mortgages, land contracts and other notes	-	-	-	-	-	-
Special assessments	-	23,918	-	-	-	-
Accrued interest	5,715	2,491	4	4,625	68	61
Due from other funds:						
Grants Fund	-	-	-	-	-	-
Due from other governments:						
State of Michigan	124,438	45,929	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Real estate held for resale	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 708,926</u>	<u>\$ 330,911</u>	<u>\$ 2,052</u>	<u>\$ 458,107</u>	<u>\$ 7,058</u>	<u>\$ 109,415</u>
LIABILITIES:						
Accounts payable	\$ 135,666	\$ 1,829	\$ -	\$ 24,421	\$ -	\$ -
Due to other funds:						
General Fund	-	-	-	-	-	-
Deferred revenue	-	23,918	-	3,442	-	-
TOTAL LIABILITIES	<u>135,666</u>	<u>25,747</u>	<u>-</u>	<u>27,863</u>	<u>-</u>	<u>-</u>
FUND BALANCES:						
Reserved for:						
Long term notes receivable	-	-	-	-	-	-
Revolving loans	-	-	-	-	-	-
UPSET expenses	-	-	-	-	-	103,155
Reading materials	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Future DDA projects as listed in the TIF Development Plan	-	-	-	430,244	-	-
Unreserved:						
Undesignated	573,260	305,164	2,052	-	7,058	6,260
TOTAL FUND BALANCES	<u>573,260</u>	<u>305,164</u>	<u>2,052</u>	<u>430,244</u>	<u>7,058</u>	<u>109,415</u>
TOTAL LIABILITIES AND BALANCES	<u>\$ 708,926</u>	<u>\$ 330,911</u>	<u>\$ 2,052</u>	<u>\$ 458,107</u>	<u>\$ 7,058</u>	<u>\$ 109,415</u>

See accompanying notes to financial statements.

Library Fund	Housing Rehab Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
								2004	2003
\$ 300,360	\$ 91,176	\$ 827,795	\$ 849,502	\$ 72,055	\$ 502,883	\$ 1,258,895	\$ 561	\$ 106,254	\$ 208,382
3,235	-	-	-	-	-	-	24,390	27,625	14,192
-	1,098	1,034,896	678,662	-	378,151	24,665	-	2,117,472	2,735,414
1,474	763	8,485	10,265	780	4,547	15,239	797	23,918	15,834
-	-	-	-	-	-	-	-	55,314	66,824
-	-	-	-	-	-	35,469	-	35,469	-
2,982	-	-	-	-	-	-	-	173,349	164,498
-	-	-	-	-	-	345,000	-	345,000	348,000
-	-	-	-	-	-	8,200	-	8,200	8,200
<u>\$ 308,051</u>	<u>\$ 93,037</u>	<u>\$ 1,871,176</u>	<u>\$ 1,538,429</u>	<u>\$ 72,835</u>	<u>\$ 885,581</u>	<u>\$ 1,687,468</u>	<u>\$ 25,748</u>	<u>\$ 8,098,794</u>	<u>\$ 8,269,171</u>
\$ 5,310	\$ 23	\$ 3	\$ -	\$ -	\$ -	\$ 1,005	\$ -	\$ 168,257	\$ 19,164
-	-	-	-	-	-	-	10,012	10,012	1,409
-	1,099	-	-	-	-	24,665	-	53,124	79,132
<u>5,310</u>	<u>1,122</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,670</u>	<u>10,012</u>	<u>231,393</u>	<u>99,705</u>
-	-	1,034,896	678,662	-	378,151	-	-	2,091,709	2,672,116
-	-	-	859,767	-	507,430	-	-	1,367,197	883,841
265,625	-	-	-	-	-	-	-	103,155	205,283
-	-	-	-	-	-	-	-	265,625	-
-	-	-	-	-	-	8,200	-	8,200	8,200
-	-	-	-	-	-	-	-	430,244	408,369
<u>37,116</u>	<u>91,915</u>	<u>836,277</u>	<u>-</u>	<u>72,835</u>	<u>-</u>	<u>1,653,598</u>	<u>15,736</u>	<u>3,601,271</u>	<u>3,991,657</u>
<u>302,741</u>	<u>91,915</u>	<u>1,871,173</u>	<u>1,538,429</u>	<u>72,835</u>	<u>885,581</u>	<u>1,661,798</u>	<u>15,736</u>	<u>7,867,401</u>	<u>8,169,466</u>
<u>\$ 308,051</u>	<u>\$ 93,037</u>	<u>\$ 1,871,176</u>	<u>\$ 1,538,429</u>	<u>\$ 72,835</u>	<u>\$ 885,581</u>	<u>\$ 1,687,468</u>	<u>\$ 25,748</u>	<u>\$ 8,098,794</u>	<u>\$ 8,269,171</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

For the Year Ended June 30, 2004,
with comparative totals for the year ended June 30, 2003

	Major Street Fund	Local Street Fund	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	Drug Law Enforcement Fund
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ 229,377	\$ 3,971	\$ -
Local sources	-	-	-	-	-	-
State grants	793,233	270,098	-	-	-	-
Federal sources	409,175	-	-	-	-	-
Charges for services	-	-	18,126	-	-	-
Fines and forfeitures	-	-	-	-	-	154,938
Miscellaneous	20,904	20,099	43	18,303	246	801
TOTAL REVENUES	1,223,312	290,197	18,169	247,680	4,217	155,739
EXPENDITURES:						
Public safety	-	-	-	-	-	255,787
Highways, streets and public works	1,517,576	447,298	34,039	-	-	-
Cultural	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development	-	-	-	131,506	-	-
Debt service	-	-	-	82,718	-	-
TOTAL EXPENDITURES	1,517,576	447,298	34,039	214,224	-	255,787
EXCESS REVENUES (EXPENDITURES)	(294,264)	(157,101)	(15,870)	33,456	4,217	(100,048)
OTHER FINANCING SOURCES (USES):						
Gain (loss) on sale of investments	(17,015)	(6,365)	(26)	(11,581)	(45)	-
Operating transfers in	340,000	178,732	15,562	-	-	-
Operating transfers out	(100,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	222,985	172,367	15,536	(11,581)	(45)	-
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(71,279)	15,266	(334)	21,875	4,172	(100,048)
Fund balances, beginning of year	644,539	289,898	2,386	408,369	2,886	209,463
FUND BALANCES, END OF YEAR	\$ 573,260	\$ 305,164	\$ 2,052	\$ 430,244	\$ 7,058	\$ 109,415

See accompanying notes to financial statements.

Library Fund	Housing Rehab Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
								2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	233,348	\$ 226,155
199,158	-	-	-	-	-	1,440	-	200,598	208,703
25,099	-	-	-	-	-	-	-	1,088,430	984,079
13,175	-	-	-	-	-	-	-	422,350	-
-	-	-	-	-	-	-	182,399	200,525	197,226
22,911	-	-	-	-	-	-	-	177,849	144,221
286,845	44,245	107,036	70,331	3,028	39,358	251,694	3,604	866,537	609,807
547,188	44,245	107,036	70,331	3,028	39,358	253,134	186,003	3,189,637	2,370,191
-	-	-	-	-	-	-	-	255,787	164,590
-	-	-	-	-	-	11,234	171	2,010,318	1,166,953
516,608	-	-	-	-	-	-	-	516,608	491,584
-	465	10,740	124,522	-	973	-	-	136,700	7,704
-	-	-	-	100	-	-	-	131,606	118,913
-	-	-	-	-	-	-	-	82,718	111,235
516,608	465	10,740	124,522	100	973	11,234	171	3,133,737	2,060,979
30,580	43,780	96,296	(54,191)	2,928	38,385	241,900	185,832	55,900	309,212
(2,180)	(1,196)	(17,244)	(9,856)	(1,881)	(324)	(50,200)	(2,715)	(120,628)	16,993
243,300	-	-	-	-	-	-	-	777,594	469,543
-	(3,422)	-	-	-	-	(729,211)	(182,298)	(1,014,931)	(541,716)
241,120	(4,618)	(17,244)	(9,856)	(1,881)	(324)	(779,411)	(185,013)	(357,965)	(55,180)
271,700	39,162	79,052	(64,047)	1,047	38,061	(537,511)	819	(302,065)	254,032
31,041	52,753	1,792,121	1,602,476	71,788	847,520	2,199,309	14,917	8,169,466	7,915,434
\$ 302,741	\$ 91,915	\$ 1,871,173	\$ 1,538,429	\$ 72,835	\$ 885,581	\$ 1,661,798	\$ 15,736	\$ 7,867,401	\$ 8,169,466

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 578,773	\$ 526,881
Receivables:		
Accrued interest	5,715	7,743
Due from other governments:		
State of Michigan	<u>124,438</u>	<u>117,544</u>
TOTAL ASSETS	<u>\$ 708,926</u>	<u>\$ 652,168</u>
LIABILITIES:		
Accounts payable	<u>\$ 135,666</u>	<u>\$ 7,629</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>573,260</u>	<u>644,539</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 708,926</u>	<u>\$ 652,168</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State grants:			
Gas and weight tax	\$ 724,000	\$ 734,515	\$ 10,515
Winter maintenance	-	15,818	15,818
PA 48 annual maintenance fee	42,900	42,900	-
Federal sources:			
State provided construction	375,000	375,000	-
Traffic Controllers Grant	34,100	34,175	75
Miscellaneous:			
Interest earnings	<u>20,000</u>	<u>20,904</u>	<u>904</u>
TOTAL REVENUES	<u>1,196,000</u>	<u>1,223,312</u>	<u>27,312</u>
EXPENDITURES:			
Highways, streets and public works:			
Construction - roads and streets:			
New construction	<u>915,000</u>	<u>883,006</u>	<u>31,994</u>
Preservation streets:			
Patching and crack filling	41,679	49,211	(7,532)
Storm sewers	51,809	46,549	5,260
Grass and weed cutting	14,860	13,917	943
Sweeping and flushing	<u>39,613</u>	<u>35,778</u>	<u>3,835</u>
Total preservation streets	<u>147,961</u>	<u>145,455</u>	<u>2,506</u>
Traffic services - maintenance:			
Pavement markings and signs	<u>80,534</u>	<u>98,320</u>	<u>(17,786)</u>
Winter maintenance:			
Snow removal	210,665	185,124	25,541
Snow plowing	85,040	82,549	2,491
Snow control	3,077	780	2,297
Ice control	<u>52,340</u>	<u>40,960</u>	<u>11,380</u>
Total winter maintenance	<u>351,122</u>	<u>309,413</u>	<u>41,709</u>
Administration engineering and record keeping	<u>67,240</u>	<u>81,382</u>	<u>(14,142)</u>
TOTAL EXPENDITURES	<u>1,561,857</u>	<u>1,517,576</u>	<u>44,281</u>
EXCESS REVENUES (EXPENDITURES)	<u>(365,857)</u>	<u>(294,264)</u>	<u>71,593</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(17,015)	(17,015)
Operating transfers in:			
Land Development Fund	340,000	340,000	-
Operating transfers out:			
Local Street Fund	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>240,000</u>	<u>222,985</u>	<u>(17,015)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(125,857)</u>	<u>(71,279)</u>	<u>54,578</u>
Fund balance, beginning of year	<u>125,857</u>	<u>644,539</u>	<u>518,682</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 573,260</u>	<u>\$ 573,260</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	2004	2003
ASSETS:		
Investments, at market	\$ 258,573	\$ 245,030
Receivables:		
Special assessments	23,918	15,834
Accrued interest	2,491	3,341
Due from other governments:		
State of Michigan	45,929	43,206
TOTAL ASSETS	<u>\$ 330,911</u>	<u>\$ 307,411</u>
LIABILITIES:		
Accounts payable	\$ 1,829	\$ 1,679
Deferred revenue	23,918	15,834
TOTAL LIABILITIES	<u>25,747</u>	<u>17,513</u>
FUND BALANCES:		
Unreserved:		
Undesignated	305,164	289,898
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 330,911</u>	<u>\$ 307,411</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State grants:			
Gas and weight tax	\$ 250,000	\$ 270,098	\$ 20,098
Miscellaneous:			
Interest earnings	7,500	9,223	1,723
Special assessments	7,000	10,876	3,876
TOTAL REVENUES	<u>264,500</u>	<u>290,197</u>	<u>25,697</u>
EXPENDITURES:			
Highways, streets and public works:			
Construction - roads and streets:			
New construction	<u>125,000</u>	<u>37,717</u>	<u>87,283</u>
Preservation streets:			
Patching and crack filling	46,833	49,503	(2,670)
Storm sewers	60,706	52,675	8,031
Sweeping and flushing	36,200	28,812	7,388
Blading	31,700	21,941	9,759
Dust control	11,447	8,927	2,520
Street paving	-	59,975	(59,975)
Total preservation streets	<u>186,886</u>	<u>221,833</u>	<u>(34,947)</u>
Traffic services - maintenance	<u>23,449</u>	<u>28,305</u>	<u>(4,856)</u>
Winter maintenance:			
Snow removal	38,482	4,496	33,986
Snow plowing	53,919	57,853	(3,934)
Ice control	29,024	31,159	(2,135)
Total winter maintenance	<u>121,425</u>	<u>93,508</u>	<u>27,917</u>
Administration engineering and record keeping	<u>57,726</u>	<u>65,935</u>	<u>(8,209)</u>
TOTAL EXPENDITURES	<u>514,486</u>	<u>447,298</u>	<u>67,188</u>
EXCESS REVENUES (EXPENDITURES)	<u>(249,986)</u>	<u>(157,101)</u>	<u>92,885</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(6,365)	(6,365)
Operating transfers in:			
Land Development Fund	52,000	24,773	(27,227)
Gas Retirement Fund	100,000	53,959	(46,041)
Major Street Fund	100,000	100,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>252,000</u>	<u>172,367</u>	<u>(79,633)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	<u>2,014</u>	<u>15,266</u>	<u>13,252</u>
Fund balance, beginning of year	<u>-</u>	<u>289,898</u>	<u>289,898</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,014</u>	<u>\$ 305,164</u>	<u>\$ 303,150</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 2,048	\$ 2,380
Receivables:		
Accrued interest	<u>4</u>	<u>6</u>
TOTAL ASSETS	<u>\$ 2,052</u>	<u>\$ 2,386</u>
FUND BALANCES:		
Fund balances:		
Unreserved:		
Undesignated	<u>\$ 2,052</u>	<u>\$ 2,386</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services	\$ 18,500	\$ 18,126	\$ (374)
Miscellaneous:			
Interest earnings	<u>50</u>	<u>43</u>	<u>(7)</u>
TOTAL REVENUES	<u>18,550</u>	<u>18,169</u>	<u>(381)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	18,500	18,477	23
Non-DDA lot maintenance	<u>16,000</u>	<u>15,562</u>	<u>438</u>
TOTAL EXPENDITURES	<u>34,500</u>	<u>34,039</u>	<u>461</u>
EXCESS REVENUES (EXPENDITURES)	<u>(15,950)</u>	<u>(15,870)</u>	<u>80</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(26)	(26)
Operating transfers in:			
General Fund	<u>16,000</u>	<u>15,562</u>	<u>(438)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,000</u>	<u>15,536</u>	<u>(464)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	50	(334)	(384)
Fund balance, beginning of year	<u>-</u>	<u>2,386</u>	<u>2,386</u>
FUND BALANCE, END OF YEAR	<u>\$ 50</u>	<u>\$ 2,052</u>	<u>\$ 2,002</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash and equivalents	\$ 3,099	\$ 3,099
Investments, at market	450,383	402,173
Receivables:		
Accrued interest	<u>4,625</u>	<u>5,784</u>
TOTAL ASSETS	<u>\$ 458,107</u>	<u>\$ 411,056</u>
LIABILITIES:		
Accounts payable	\$ 24,421	\$ 2,687
Deferred revenue	<u>3,442</u>	<u>-</u>
TOTAL LIABILITIES	<u>27,863</u>	<u>2,687</u>
FUND BALANCES:		
Reserved for:		
Future DDA projects as listed in the TIF Development Plan	<u>430,244</u>	<u>408,369</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 458,107</u>	<u>\$ 411,056</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 215,000	\$ 229,377	\$ 14,377
Miscellaneous:			
Interest earnings	9,637	18,303	8,666
TOTAL REVENUES	<u>224,637</u>	<u>247,680</u>	<u>23,043</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	43,977	42,718	1,259
Fringe benefits	10,676	11,776	(1,100)
Supplies	5,000	2,983	2,017
Professional services	2,500	3,275	(775)
Rental rehabilitation	-	23,450	(23,450)
Communication	2,000	1,704	296
Transportation	2,000	470	1,530
Public relations	15,000	11,377	3,623
Printing & publishing	1,000	716	284
Insurance & bonds	1,050	1,024	26
Public utilities	3,399	2,744	655
Maintenance of parking lots	18,500	19,685	(1,185)
Capital outlay	59,725	1,044	58,681
Capital outlay - equipment	11,500	200	11,300
Building maintenance	6,500	4,853	1,647
Equipment maintenance	1,000	855	145
Equipment rental	1,900	1,740	160
Books, magazines & periodicals	500	441	59
Memberships & dues	700	381	319
Education and training	500	70	430
Debt service:			
Principal retirement	52,000	52,000	-
Interest charges	33,890	30,718	3,172
TOTAL EXPENDITURES	<u>273,317</u>	<u>214,224</u>	<u>59,093</u>
EXCESS REVENUES (EXPENDITURES)	(48,680)	33,456	82,136
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(11,581)	(11,581)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(48,680)	21,875	70,555
Fund balance, beginning of year	<u>48,680</u>	<u>408,369</u>	<u>359,689</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 430,244</u>	<u>\$ 430,244</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**BROWNFIELD FUND
COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 6,990	\$ 2,849
Receivables:		
Accrued interest	<u>68</u>	<u>37</u>
TOTAL ASSETS	<u>\$ 7,058</u>	<u>\$ 2,886</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 7,058</u>	<u>\$ 2,886</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**BROWNFIELD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ -	\$ 3,971	\$ 3,971
Miscellaneous:			
Interest earnings	-	<u>246</u>	<u>246</u>
TOTAL REVENUES	-	<u>4,217</u>	<u>4,217</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	<u>(45)</u>	<u>(45)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	4,172	4,172
Fund balance, beginning of year	-	<u>2,886</u>	<u>2,886</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 7,058</u>	<u>\$ 7,058</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**DRUG LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET**

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash and equivalents:		
UPSET adjudicated funds	\$ 11,887	\$ 76,652
UPSET federal forfeiture	81,257	85,068
Non-adjudicated account	10,011	43,563
Investments, at market	6,199	4,127
Receivables:		
Accrued interest	<u>61</u>	<u>53</u>
TOTAL ASSETS	<u>\$ 109,415</u>	<u>\$ 209,463</u>
FUND BALANCES:		
Reserved for:		
UPSET expenses	\$ 103,155	\$ 205,283
Unreserved:		
Undesignated	<u>6,260</u>	<u>4,180</u>
TOTAL FUND BALANCES	<u>\$ 109,415</u>	<u>\$ 209,463</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DRUG LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 116,000	\$ 154,938	\$ 38,938
Miscellaneous:			
Interest earnings	<u>1,000</u>	<u>801</u>	<u>(199)</u>
TOTAL REVENUES	<u>117,000</u>	<u>155,739</u>	<u>38,739</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	250,000	253,837	(3,837)
Supplies	3,500	677	2,823
Education and training	<u>-</u>	<u>1,273</u>	<u>(1,273)</u>
TOTAL EXPENDITURES	<u>253,500</u>	<u>255,787</u>	<u>(2,287)</u>
EXCESS REVENUES (EXPENDITURES)	(136,500)	(100,048)	36,452
Fund balance, beginning of year	<u>136,500</u>	<u>209,463</u>	<u>72,963</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 109,415</u>	<u>\$ 109,415</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	2004	2003
ASSETS:		
Investments, at market	\$ 300,360	\$ 32,685
Receivables:		
Accounts, net of bad debt allowance	3,235	264
Accrued interest	1,474	1,347
Due from other governments:		
State of Michigan	2,982	3,748
TOTAL ASSETS	<u>\$ 308,051</u>	<u>\$ 38,044</u>
LIABILITIES:		
Accounts payable	<u>\$ 5,310</u>	<u>\$ 7,003</u>
FUND BALANCES:		
Reserved for:		
Reading materials	265,625	-
Unreserved:		
Undesignated	37,116	31,041
TOTAL FUND BALANCES	<u>302,741</u>	<u>31,041</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 308,051</u>	<u>\$ 38,044</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
Penal fines	\$ 200,000	\$ 161,548	\$ (38,452)
County contribution	-	36,710	36,710
State grants:			
State aid	20,500	25,099	4,599
Federal sources:			
Library Services & Technology Grant	19,575	13,175	(6,400)
Fines and forfeitures:			
Book fines	21,000	23,811	2,811
Miscellaneous:			
Contributions from private sources	7,000	276,406	269,406
Interest earnings	4,500	6,417	1,917
Gates Foundation Grant	-	2,982	2,982
Other	-	1,040	1,040
TOTAL REVENUES	<u>272,575</u>	<u>547,188</u>	<u>274,613</u>
EXPENDITURES:			
Cultural:			
Salaries and wages	222,925	218,639	4,286
Fringe benefits	79,794	77,771	2,023
Supplies	11,200	14,726	(3,526)
Professional services	27,580	29,595	(2,015)
Communication	6,150	2,782	3,368
Transportation	2,118	2,146	(28)
Printing & publishing	1,285	304	981
Insurance & bonds	950	947	3
Office rental	79,030	79,030	-
Capital outlay - equipment	21,672	5,521	16,151
Capital outlay - grant	-	16,789	(16,789)
Building maintenance	500	-	500
Equipment maintenance	4,400	3,873	527
Equipment rental	1,700	2,245	(545)
Books, magazines & periodicals	65,000	61,483	3,517
Memberships & dues	350	377	(27)
Education and training	500	380	120
TOTAL EXPENDITURES	<u>525,154</u>	<u>516,608</u>	<u>8,546</u>
EXCESS REVENUES (EXPENDITURES)	<u>(252,579)</u>	<u>30,580</u>	<u>283,159</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(2,180)	(2,180)
Operating transfers in:			
General Fund	243,300	243,300	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>243,300</u>	<u>241,120</u>	<u>(2,180)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(9,279)</u>	<u>271,700</u>	<u>280,979</u>
Fund balance, beginning of year	<u>9,279</u>	<u>31,041</u>	<u>21,762</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 302,741</u>	<u>\$ 302,741</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	2004	2003
ASSETS:		
Investments, at market	\$ 91,176	\$ 52,045
Receivables:		
Mortgages, land contracts and other notes	1,098	2,657
Accrued interest	763	708
TOTAL ASSETS	<u>\$ 93,037</u>	<u>\$ 55,410</u>
LIABILITIES:		
Accounts payable	\$ 23	\$ -
Deferred revenue	1,099	2,657
TOTAL LIABILITIES	<u>1,122</u>	<u>2,657</u>
FUND BALANCES:		
Unreserved:		
Undesignated	91,915	52,753
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 93,037</u>	<u>\$ 55,410</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Loan principal repayments	\$ 9,975	\$ 41,447	\$ 31,472
Interest earnings	2,500	2,798	298
TOTAL REVENUES	<u>12,475</u>	<u>44,245</u>	<u>31,770</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	500	465	35
EXCESS REVENUES	<u>11,975</u>	<u>43,780</u>	<u>31,805</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,196)	(1,196)
Operating transfers out:			
Grants Fund	(3,450)	(3,422)	28
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,450)</u>	<u>(4,618)</u>	<u>(1,168)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	8,525	39,162	30,637
Fund balance, beginning of year	-	52,753	52,753
FUND BALANCE, END OF YEAR	<u>\$ 8,525</u>	<u>\$ 91,915</u>	<u>\$ 83,390</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ -	\$ 3,202
Receivables:		
Accrued interest	-	1,424
Due from other governments:		
State of Michigan	323,512	363,896
Local units	<u>58,956</u>	<u>2,364</u>
TOTAL ASSETS	<u>\$ 382,468</u>	<u>\$ 370,886</u>
LIABILITIES:		
Accounts payable	\$ 28,897	\$ 56,994
Due to other funds:		
Land Development Fund	35,469	-
General Fund	107,754	176,527
Deferred revenue	<u>210,307</u>	<u>137,324</u>
TOTAL LIABILITIES	<u>382,427</u>	<u>370,845</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>41</u>	<u>41</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 382,468</u>	<u>\$ 370,886</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources	\$ -	\$ 147,091	\$ 147,091
State grants	1,133,485	960,126	(173,359)
Federal sources	<u>302,000</u>	<u>75,247</u>	<u>(226,753)</u>
TOTAL REVENUES	<u>1,435,485</u>	<u>1,182,464</u>	<u>(253,021)</u>
EXPENDITURES:			
Community services:			
North Shore boat launch	1,281,000	1,276,953	4,047
Confined space/WMD implementation	75,500	75,247	253
Downtown rental rehabilitation	1,225	1,210	15
North channel wall light replacement	68,660	1,643	67,017
FEMA tanker	226,500	114,470	112,030
Public Safety Communications Grant	110,350	32,621	77,729
Aronson Island boat launch	<u>7,000</u>	<u>5,961</u>	<u>1,039</u>
TOTAL EXPENDITURES	<u>1,770,235</u>	<u>1,508,105</u>	<u>262,130</u>
EXCESS REVENUES (EXPENDITURES)	<u>(334,750)</u>	<u>(325,641)</u>	<u>9,109</u>
OTHER FINANCING SOURCES:			
Operating transfers in:			
Electric Fund	14,800	14,800	-
Marina Fund	3,500	2,981	(519)
Land Development Fund	313,000	304,438	(8,562)
Housing Rehab fund	<u>3,450</u>	<u>3,422</u>	<u>(28)</u>
TOTAL OTHER FINANCING SOURCES	<u>334,750</u>	<u>325,641</u>	<u>(9,109)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	-	-
Fund balance, beginning of year	-	41	41
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 41</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 827,795	\$ 676,765
Receivables:		
Mortgages, land contracts and other notes	1,034,896	1,105,961
Accrued interest	<u>8,485</u>	<u>9,395</u>
TOTAL ASSETS	<u>\$ 1,871,176</u>	<u>\$ 1,792,121</u>
LIABILITIES:		
Accounts payable	\$ <u>3</u>	\$ <u>-</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	1,034,896	1,105,961
Unreserved:		
Undesignated	<u>836,277</u>	<u>686,160</u>
TOTAL FUND BALANCES	<u>1,871,173</u>	<u>1,792,121</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,871,176</u>	<u>\$ 1,792,121</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 68,000	\$ 79,261	\$ 11,261
Other	12,500	27,775	15,275
TOTAL REVENUES	<u>80,500</u>	<u>107,036</u>	<u>26,536</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	1,000	740	260
Bad debt	10,000	10,000	-
TOTAL EXPENDITURES	<u>11,000</u>	<u>10,740</u>	<u>260</u>
EXCESS REVENUES	69,500	96,296	26,796
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(17,244)	(17,244)
EXCESS REVENUES AND OTHER FINANCING SOURCES	69,500	79,052	9,552
Fund balance, beginning of year	-	1,792,121	1,792,121
FUND BALANCE, END OF YEAR	<u>\$ 69,500</u>	<u>\$ 1,871,173</u>	<u>\$ 1,801,673</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

E.D.A. REVOLVING LOAN FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 849,502	\$ 704,393
Receivables:		
Mortgages, land contracts and other notes	678,662	889,570
Accrued interest	<u>10,265</u>	<u>8,513</u>
TOTAL ASSETS	<u>\$ 1,538,429</u>	<u>\$ 1,602,476</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 678,662	\$ 889,570
Revolving loans	<u>859,767</u>	<u>712,906</u>
TOTAL FUND BALANCES	<u>\$ 1,538,429</u>	<u>\$ 1,602,476</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

E.D.A. REVOLVING LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 70,000	\$ 70,331	\$ 331
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	2,000	788	1,212
Bad debt	123,750	123,734	16
TOTAL EXPENDITURES	125,750	124,522	1,228
EXCESS REVENUES (EXPENDITURES)	(55,750)	(54,191)	1,559
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(9,856)	(9,856)
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	(55,750)	(64,047)	(8,297)
Fund balance, beginning of year	55,750	1,602,476	1,546,726
FUND BALANCE, END OF YEAR	\$ -	\$ 1,538,429	\$ 1,538,429

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOME GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 72,055	\$ 70,824
Receivables:		
Accrued interest	<u>780</u>	<u>964</u>
TOTAL ASSETS	<u>\$ 72,835</u>	<u>\$ 71,788</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 72,835</u>	<u>\$ 71,788</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOMES GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 3,400	\$ 3,028	\$ (372)
EXPENDITURES:			
Economic development:			
Administration	250	100	150
EXCESS REVENUES	3,150	2,928	(222)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,881)	(1,881)
EXCESS REVENUES AND OTHER FINANCING SOURCES	3,150	1,047	(2,103)
Fund balance, beginning of year	-	71,788	71,788
FUND BALANCE, END OF YEAR	<u>\$ 3,150</u>	<u>\$ 72,835</u>	<u>\$ 69,685</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

M.S.C. REVOLVING LOAN FUND II
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 502,883	\$ 168,789
Receivables:		
Mortgages, land contracts and other notes	378,151	676,585
Accrued interest	<u>4,547</u>	<u>2,146</u>
TOTAL ASSETS	<u>\$ 885,581</u>	<u>\$ 847,520</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 378,151	\$ 676,585
Revolving loans	<u>507,430</u>	<u>170,935</u>
TOTAL FUND BALANCES	<u>\$ 885,581</u>	<u>\$ 847,520</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

M.S.C. REVOLVING LOAN FUND II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 50,000	\$ 39,358	\$ (10,642)
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	2,000	973	1,027
EXCESS REVENUES	48,000	38,385	(9,615)
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(324)	(324)
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	48,000	38,061	(9,939)
Fund balance, beginning of year	-	847,520	847,520
FUND BALANCE, END OF YEAR	<u>\$ 48,000</u>	<u>\$ 885,581</u>	<u>\$ 837,581</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	2004	2003
ASSETS:		
Investments, at market	\$ 1,258,895	\$ 1,815,534
Receivables:		
Accounts, net of bad debt allowance	-	3,000
Mortgages, land contracts and other notes	24,665	60,641
Accrued interest	15,239	24,741
Due from other funds:		
Grants Fund	35,469	-
Advances to other funds	345,000	348,000
Real estate held for resale	8,200	8,200
TOTAL ASSETS	<u>\$ 1,687,468</u>	<u>\$ 2,260,116</u>
LIABILITIES:		
Accounts payable	\$ 1,005	\$ 166
Deferred revenue	24,665	60,641
TOTAL LIABILITIES	<u>25,670</u>	<u>60,807</u>
FUND BALANCES:		
Reserved for:		
Land held for resale	8,200	8,200
Unreserved:		
Undesignated	1,653,598	2,191,109
TOTAL FUND BALANCES	<u>1,661,798</u>	<u>2,199,309</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,687,468</u>	<u>\$ 2,260,116</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	\$ 1,500	\$ 1,440	\$ (60)
Miscellaneous:			
Interest earnings	86,000	87,087	1,087
Rents	-	5,972	5,972
Sale of property	135,000	142,476	7,476
Sale of sand/topsoil	13,500	16,159	2,659
TOTAL REVENUES	<u>236,000</u>	<u>253,134</u>	<u>17,134</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	7,000	6,650	350
Capital outlay	-	2,050	(2,050)
Property taxes	-	159	(159)
Property improvements	5,000	713	4,287
Water services	-	1,662	(1,662)
TOTAL EXPENDITURES	<u>12,000</u>	<u>11,234</u>	<u>766</u>
EXCESS REVENUES	<u>224,000</u>	<u>241,900</u>	<u>17,900</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(50,200)	(50,200)
Operating transfers out:			
Grants Fund	(313,000)	(304,438)	8,562
Major Street Fund	(340,000)	(340,000)	-
Local Street Fund	(52,000)	(24,773)	27,227
General Fund	(60,000)	(60,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(765,000)</u>	<u>(779,411)</u>	<u>(14,411)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(541,000)</u>	<u>(537,511)</u>	<u>3,489</u>
Fund balance, beginning of year	<u>541,000</u>	<u>2,199,309</u>	<u>1,658,309</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1,661,798</u>	<u>\$ 1,661,798</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 561	\$ 3,352
Receivables:		
Accounts, net of bad debt allowance	24,390	10,928
Accrued interest	<u>797</u>	<u>2,046</u>
TOTAL ASSETS	<u>\$ 25,748</u>	<u>\$ 16,326</u>
LIABILITIES:		
Due to other funds:		
General Fund	<u>\$ 10,012</u>	<u>\$ 1,409</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>15,736</u>	<u>14,917</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,748</u>	<u>\$ 16,326</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services:			
Metered sales	\$ 184,000	\$ 182,399	\$ (1,601)
Miscellaneous:			
Interest earnings	<u>4,500</u>	<u>3,604</u>	<u>(896)</u>
TOTAL REVENUES	<u>188,500</u>	<u>186,003</u>	<u>(2,497)</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	10,100	100	10,000
Uncollectible accounts	<u>300</u>	<u>71</u>	<u>229</u>
TOTAL EXPENDITURES	<u>10,400</u>	<u>171</u>	<u>10,229</u>
EXCESS REVENUES	<u>178,100</u>	<u>185,832</u>	<u>7,732</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(2,715)	(2,715)
Operating transfers out:			
General Fund	<u>(188,500)</u>	<u>(182,298)</u>	<u>6,202</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(188,500)</u>	<u>(185,013)</u>	<u>3,487</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(10,400)	819	11,219
Fund balance, beginning of year	<u>10,400</u>	<u>14,917</u>	<u>4,517</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 15,736</u>	<u>\$ 15,736</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS FUND

CITY OF ESCANABA, MICHIGAN

CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
Capital projects:			
Ludington Street	\$ 70,000	\$ 62,848	\$ 7,152
EXCESS REVENUES (EXPENDITURES)	<u>(70,000)</u>	<u>(62,848)</u>	<u>7,152</u>
OTHER FINANCING SOURCES:			
Operating transfers in:			
Electric Fund	17,500	15,712	(1,788)
Land Development Fund	-	15,712	15,712
Water Utility Fund	17,500	15,712	(1,788)
Waste Water Fund	17,500	-	(17,500)
General Fund	<u>17,500</u>	<u>15,712</u>	<u>(1,788)</u>
TOTAL OTHER FINANCING SOURCES	<u>70,000</u>	<u>62,848</u>	<u>(7,152)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	-	-
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ENTERPRISE FUNDS

CITY OF ESCANABA, MICHIGAN

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWSFor the year ended June 30, 2004
with comparative totals for June 30, 2003

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Marina Fund	Totals	
					2004	2003
CASH FLOWS FROM ACTIVITIES:						
Cash received from customers	\$ 10,827,039	\$ -	\$ -	\$ 228,017	\$ 11,055,056	\$ 10,643,845
Cash received from other funds for purchase of receivables	-	1,337,922	923,686	-	2,261,608	2,072,353
Cash received from other funds for services	-	12,022	13,393	-	25,415	25,033
Cash payments to suppliers for goods and services	(9,971,911)	(586,915)	(556,310)	(87,215)	(11,202,351)	(9,559,674)
Cash payments to employees for services	(469,095)	(568,514)	(277,847)	(95,214)	(1,410,670)	(1,321,173)
Cash payments to other funds for services	(14,694)	(18,147)	(25,824)	(6,122)	(64,787)	(96,620)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	371,339	176,368	77,098	39,466	664,271	1,763,764
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	10,928	-	-	(13,928)	(3,000)	(118,320)
Operating transfers out	(548,560)	(15,712)	(15,712)	(2,981)	(582,965)	(519,048)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(537,632)	(15,712)	(15,712)	(16,909)	(585,965)	(637,368)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Bond proceeds	-	503,646	-	-	503,646	2,246,354
State revenue	-	-	-	-	-	135,320
Contribution of capital assets	12,900	-	-	-	12,900	-
Acquisition and construction of capital assets	(436,783)	(535,454)	(40,079)	-	(1,012,316)	(3,245,898)
Proceeds from sale of property	22,499	-	-	-	22,499	-
Principal paid on revenue bond maturities	-	-	(115,000)	-	(115,000)	(105,000)
Interest paid	-	(57,235)	(34,068)	(19,256)	(110,559)	(66,463)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(401,384)	(89,043)	(189,147)	(19,256)	(698,830)	(1,035,687)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	(590,507)	(9,545)	(65,534)	(2,594)	(668,180)	181,017
Interest received	1,036,634	28,266	105,332	4,326	1,174,558	1,486,815
Rent received	-	13,800	-	-	13,800	14,400
NET CASH PROVIDED BY INVESTING ACTIVITIES	446,127	32,521	39,798	1,732	520,178	1,682,232
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(121,550)	104,134	(87,963)	5,033	(100,346)	1,772,941
Cash and equivalents, beginning of year	23,635,203	651,577	2,463,200	110,293	26,860,273	25,087,332
CASH AND EQUIVALENTS, END OF YEAR	\$ 23,513,653	\$ 755,711	\$ 2,375,237	\$ 115,326	\$ 26,759,927	\$ 26,860,273
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (149,690)	\$ 21,151	\$ (75,693)	\$ (30,462)	\$ (234,694)	\$ 265,074
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	854,543	208,464	201,739	62,736	1,327,482	1,104,909
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(67,100)	93,632	(60,280)	4,954	(28,794)	(84,449)
(Increase) decrease in due from other funds	-	-	-	-	-	7,900
(Increase) decrease in inventory	522,916	(427)	(1,046)	(5,069)	516,374	339,948
(Increase) decrease in prepaid expenses	(95,235)	-	-	-	(95,235)	71,554
Increase (decrease) in accounts payable	(705,742)	(149,699)	6,794	7,307	(841,340)	117,427
Increase (decrease) in accruals	7,187	5,303	5,584	-	18,074	14,091
Increase (decrease) in customer deposits	4,460	-	-	-	4,460	(8,803)
Increase (decrease) in other liabilities	-	(2,056)	-	-	(2,056)	(2,203)
Increase (decrease) in due to other funds	-	-	-	-	-	(61,684)
Total adjustments	521,029	155,217	152,791	69,928	898,965	1,498,690
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 371,339	\$ 176,368	\$ 77,098	\$ 39,466	\$ 664,271	\$ 1,763,764

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash	\$ 1,387,208	\$ 1,298,197
Investments, at market	22,126,445	22,337,006
Receivables:		
Accounts	1,320,854	1,253,754
Accrued interest	240,573	304,082
Inventories, net of obsolescence allowance	358,553	881,469
Prepaid expenses	<u>95,235</u>	<u>-</u>
Total current assets	<u>25,528,868</u>	<u>26,074,508</u>
Advance to Marina Fund	<u>35,476</u>	<u>46,404</u>
Property, plant and equipment	26,490,209	26,074,187
Less accumulated depreciation	<u>(18,194,339)</u>	<u>(17,360,557)</u>
Net property, plant and equipment	<u>8,295,870</u>	<u>8,713,630</u>
TOTAL ASSETS	<u><u>\$ 33,860,214</u></u>	<u><u>\$ 34,834,542</u></u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 359,149	\$ 1,064,891
Customer deposits	155,172	150,712
Accrued salaries, wages and fringes	<u>89,558</u>	<u>82,371</u>
TOTAL LIABILITIES	<u>603,879</u>	<u>1,297,974</u>
NET ASSETS:		
Invested in capital assets, net of related debt	8,295,870	8,713,630
Unrestricted	<u>24,960,465</u>	<u>24,822,938</u>
TOTAL NET ASSETS	<u>33,256,335</u>	<u>33,536,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 33,860,214</u></u>	<u><u>\$ 34,834,542</u></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	June 30	
	2004	2003
OPERATING REVENUES:		
Charges for services:		
Residential sales	\$ 2,544,708	\$ 2,566,162
Hot water sales	33,305	39,605
Electric heat sales	40,108	45,215
Commercial sales	3,373,317	3,457,568
Industrial sales	3,035,338	2,772,103
Municipal rate sales	423,974	427,239
Street lighting	109,779	109,937
Dusk to dawn lighting	46,902	48,084
Miscellaneous revenues	1,282,248	851,125
TOTAL OPERATING REVENUES	10,889,679	10,317,038
OPERATING EXPENSES:		
Production	8,606,565	7,844,442
Transmission and distribution	317,025	336,967
Customer service	22,435	23,395
Administrative and general	731,498	623,767
Provision for depreciation	854,543	642,646
Overhead to utilities	507,303	478,492
TOTAL OPERATING EXPENSES	11,039,369	9,949,709
OPERATING INCOME (LOSS)	(149,690)	367,329
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(590,507)	164,369
Gain (loss) sale of property	22,499	-
Interest earnings	973,125	1,075,245
Operating transfers out:		
Capital Projects Fund	(15,712)	-
Grants Fund	(14,800)	-
General Fund	(518,048)	(519,048)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(143,443)	720,566
CHANGES IN NET ASSETS	(293,133)	1,087,895
Net assets, beginning of year	33,536,568	32,448,673
Add: contributed capital	12,900	-
NET ASSETS, END OF YEAR	\$ 33,256,335	\$ 33,536,568

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWS**

For the year ended June 30, 2004
with comparative totals for June 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$10,827,039	\$10,432,882
Cash payments to suppliers for goods and services	(9,971,911)	(8,452,206)
Cash payments to employees for services	(469,095)	(451,333)
Cash payments to other funds for services	<u>(14,694)</u>	<u>(48,250)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>371,339</u>	<u>1,481,093</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	10,928	10,508
Operating transfers out	<u>(548,560)</u>	<u>(519,048)</u>
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(537,632)</u>	<u>(508,540)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Contribution of capital assets	12,900	-
Acquisition and construction of capital assets	(436,783)	(890,003)
Proceeds from sale of property	<u>22,499</u>	<u>-</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(401,384)</u>	<u>(890,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(590,507)	164,369
Interest received	<u>1,036,634</u>	<u>1,315,549</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>446,127</u>	<u>1,479,918</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(121,550)</u>	<u>1,562,468</u>
Cash and equivalents, beginning of year	<u>23,635,203</u>	<u>22,072,735</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$23,513,653</u>	<u>\$23,635,203</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (149,690)	\$ 367,330
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	854,543	642,646
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(67,100)	124,646
(Increase) decrease in inventories, net of obsolescence	522,916	323,568
(Increase) decrease in prepaid expenses	(95,235)	71,554
Increase (decrease) in accounts payable	(705,742)	(16,126)
Increase (decrease) in accruals	7,187	9,506
Increase (decrease) in customer deposits	4,460	(8,803)
Increase (decrease) in due to other funds	<u>-</u>	<u>(33,228)</u>
Total adjustments	<u>521,029</u>	<u>1,113,763</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 371,339</u>	<u>\$ 1,481,093</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES

For the Years Ended June 30, 2004 and 2003

	June 30		Increase (Decrease)
	2004	2003	
OPERATING EXPENSES:			
Production:			
Power purchased	\$ 7,728,460	\$ 7,104,291	\$ 624,169
Standby power	465,554	450,740	14,814
Production expense	354,713	233,926	120,787
Management fees	32,484	31,071	1,413
Dispatching fees	25,354	24,414	940
Total production	<u>\$ 8,606,565</u>	<u>\$ 7,844,442</u>	<u>\$ 762,123</u>
Transmission and distribution:			
Supplies	\$ -	\$ 128	\$ (128)
Equipment rental	5	205	(200)
Building maintenance	89	-	89
Equipment maintenance	1,047	318	729
Operation of lines	90,743	118,463	(27,720)
Services on customer premises	8,246	6,623	1,623
Maintenance of equipment:			
Station equipment	5,161	4,122	1,039
Overhead system	67,276	60,667	6,609
Line transformers and devices	12,322	23,408	(11,086)
Services	30,086	31,726	(1,640)
Meters	50,524	48,082	2,442
Street lighting system	33,431	38,105	(4,674)
Underground system	15,434	2,036	13,398
Miscellaneous	2,661	3,084	(423)
Total transmission and distribution	<u>\$ 317,025</u>	<u>\$ 336,967</u>	<u>\$ (19,942)</u>
Customer service:			
Salaries and wages	\$ 17,195	\$ 19,036	\$ (1,841)
Equipment rental	5,240	4,359	881
Total customer service	<u>\$ 22,435</u>	<u>\$ 23,395</u>	<u>\$ (960)</u>
Administrative and general:			
Salaries and wages	\$ 342,049	\$ 329,192	\$ 12,857
Fringe benefits	117,038	112,611	4,427
Supplies	2,188	1,936	252
Clothing supplies	3,500	3,150	350
Building supplies	1,240	1,461	(221)
Professional services	108,993	34,746	74,247
Transportation	-	56	(56)
Printing & publishing	173	-	173
Insurance & bonds	27,317	25,856	1,461
Public utilities	22,183	22,199	(16)
Building maintenance	20,928	23,573	(2,645)
Equipment maintenance	4,901	2,267	2,634
Equipment rental	9,449	10,458	(1,009)
Books, magazines & periodicals	185	243	(58)
Memberships & dues	13,398	12,627	771
Education and training	23,034	19,975	3,059
Provision for uncollectible accounts	4,624	(8,666)	13,290
Promotions	30,248	30,584	(336)
Miscellaneous	50	1,499	(1,449)
Total administrative and general	<u>\$ 731,498</u>	<u>\$ 623,767</u>	<u>\$ 107,731</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ELECTRIC UTILITY FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
For the year ended June 30, 2004

	Balance 06/30/03	Additions	Retirements, Dispositions and Transfers	Balance 06/30/04
Operating plant:				
Structure and improvements	\$ 4,530,524	\$ 239,503	\$ -	\$ 4,770,027
Boiler plant equipment	1,467,166	-	-	1,467,166
Turbo generator units	1,315,044	-	-	1,315,044
Accessory work equipment	511,583	-	-	511,583
Miscellaneous power plant equipment	473,262	-	-	473,262
Office equipment power plant	275	-	-	275
Peaking generator	-	3,765,573	-	3,765,573
Pollution equipment	3,338,019	-	-	3,338,019
	<u>11,635,873</u>	<u>4,005,076</u>	<u>-</u>	<u>15,640,949</u>
Transmission system:				
Land clearing and right-of-way	65,432	-	-	65,432
Structures and improvements	488,869	-	-	488,869
Station equipment	698,195	-	-	698,195
Poles and fixtures	12,630	-	-	12,630
	<u>1,265,126</u>	<u>-</u>	<u>-</u>	<u>1,265,126</u>
Distribution system:				
Land and land rights	49,480	-	-	49,480
Structures and improvements	47,323	-	-	47,323
Station equipment	248,100	1,285	-	249,385
Poles, towers and fixtures	1,096,546	8,239	4,536	1,100,249
Overhead conductors and devices	988,674	8,598	-	997,272
Underground conduits	460,416	28,908	-	489,324
Underground conductors	695,109	26,186	-	721,295
Line transformers	1,616,623	65,607	4,000	1,678,230
New services	670,857	6,352	-	677,209
Meters	487,992	23,495	12,225	499,262
Installation on customer premises	71,076	507	-	71,583
Street lighting	736,921	679	-	737,600
Office equipment	90,494	1,723	-	92,217
Transportation equipment	465,817	19,905	-	485,722
Laboratory equipment	95,673	-	-	95,673
Electric building	1,451,274	-	-	1,451,274
Miscellaneous tools	61,756	686	-	62,442
Miscellaneous equipment	51,722	-	-	51,722
	<u>9,385,853</u>	<u>192,170</u>	<u>20,761</u>	<u>9,557,262</u>
Construction in progress	<u>3,787,335</u>	<u>26,872</u>	<u>3,787,335</u>	<u>26,872</u>
TOTALS	<u>\$26,074,187</u>	<u>\$ 4,224,118</u>	<u>\$ 3,808,096</u>	<u>\$26,490,209</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WATER UTILITY
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 652,610	\$ 553,665
Receivables:		
Accounts	160,856	82,873
Special assessments	-	2,056
Accrued interest	7,824	6,515
Due from other governments	-	169,559
Chemical inventory	<u>7,871</u>	<u>7,444</u>
Total current assets	<u>829,161</u>	<u>822,112</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	<u>103,101</u>	<u>97,912</u>
Property, plant and equipment	13,157,395	12,621,941
Less accumulated depreciation	<u>(4,420,593)</u>	<u>(4,212,129)</u>
Net property, plant and equipment	<u>8,736,802</u>	<u>8,409,812</u>
TOTAL ASSETS	<u>\$ 9,669,064</u>	<u>\$ 9,329,836</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 17,182	\$ 166,881
Accrued salaries, wages and fringes	91,168	85,865
Accrued interest payable	14,040	11,964
Deferred revenue	-	2,056
Bonds payable:		
Current portion of revenue bonds	<u>110,000</u>	<u>-</u>
Total current liabilities	<u>232,390</u>	<u>266,766</u>
Long-term liabilities:		
Bonds payable	<u>2,640,000</u>	<u>2,246,354</u>
TOTAL LIABILITIES	<u>2,872,390</u>	<u>2,513,120</u>
NET ASSETS:		
Invested in capital assets, net of related debt	5,986,802	6,163,458
Unrestricted	706,771	555,346
Restricted:		
Revenue bond indentures	<u>103,101</u>	<u>97,912</u>
TOTAL NET ASSETS	<u>6,796,674</u>	<u>6,816,716</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,669,064</u>	<u>\$ 9,329,836</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WATER UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

For the Years Ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,161,794	\$ 1,064,015
Flat rate sales	5,791	5,793
Hydrant rental	69,676	69,682
Interdepartmental sales	12,022	13,223
Reconnection fees	2,716	1,958
Miscellaneous revenues	6,369	5,476
TOTAL OPERATING REVENUES	<u>1,258,368</u>	<u>1,160,147</u>
OPERATING EXPENSES:		
Production	241,016	252,896
Transmission and distribution	142,753	119,958
Customer service	30,969	37,048
Administrative and general	434,995	403,947
Provision for depreciation	208,464	192,696
Overhead to utilities	179,020	168,402
TOTAL OPERATING EXPENSES	<u>1,237,217</u>	<u>1,174,947</u>
OPERATING INCOME (LOSS)	<u>21,151</u>	<u>(14,800)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(9,545)	(1,954)
Rent received	13,800	14,400
Interest earnings	29,575	19,952
Interest expense	(59,311)	(22,275)
Operating transfers out	(15,712)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(41,193)</u>	<u>10,123</u>
CHANGES IN NET ASSETS	(20,042)	(4,677)
Net assets, beginning of year	<u>6,816,716</u>	<u>6,821,393</u>
NET ASSETS, END OF YEAR	<u>\$ 6,796,674</u>	<u>\$ 6,816,716</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWSFor the year ended June 30, 2004
with comparative totals for June 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from other funds for purchase of receivables	\$ 1,337,922	\$ 1,131,359
Cash received from other funds for services	12,022	13,223
Cash payments to suppliers for goods and services	(586,915)	(455,321)
Cash payments to employees for services	(568,514)	(524,774)
Cash payments to other funds for services	(18,147)	(16,735)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>176,368</u>	<u>147,752</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	<u>(15,712)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Bond proceeds	503,646	2,246,354
Acquisition and construction of capital assets	(535,454)	(2,308,690)
Interest paid on bonds	<u>(57,235)</u>	<u>(10,311)</u>
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(89,043)</u>	<u>(72,647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(9,545)	(1,954)
Interest received	28,266	28,880
Rent received	<u>13,800</u>	<u>14,400</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>32,521</u>	<u>41,326</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	104,134	116,431
Cash and equivalents, beginning of year	<u>651,577</u>	<u>535,146</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 755,711</u>	<u>\$ 651,577</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 21,151	\$ (12,082)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	208,464	192,696
Changes in assets and liabilities:		
(Increase) decrease in receivables	93,632	(185,687)
(Increase) decrease in chemical inventory	(427)	17,978
Increase (decrease) in accounts payable	(149,699)	152,158
Increase (decrease) in accruals	5,303	2,518
Increase (decrease) in due to other funds	-	(18,801)
Increase (decrease) in other liabilities	<u>(2,056)</u>	<u>(1,028)</u>
Total adjustments	<u>155,217</u>	<u>159,834</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 176,368</u>	<u>\$ 147,752</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES

For the Years Ended June 30, 2004 and 2003

	June 30		Increase (Decrease)
	2004	2003	
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 156,294	\$ 155,959	\$ 335
Plant chemicals	58,791	70,106	(11,315)
Laboratory chemicals and supplies	16,282	13,624	2,658
Diesel fuel	541	962	(421)
Repairs to structure - labor	-	207	(207)
Repairs to structures - supplies	49	3,073	(3,024)
Repairs to equipment - portable	8,575	8,854	(279)
Repairs to tanks	28	7	21
Equipment rental - structures and improvement	453	104	349
Equipment rental - maintenance of equipment	3	-	3
Total production	<u>\$ 241,016</u>	<u>\$ 252,896</u>	<u>\$ (11,880)</u>
Transmission and distribution:			
Labor	\$ 112,510	\$ 85,304	\$ 27,206
Supplies	17,579	22,887	(5,308)
Equipment rental	12,664	11,767	897
Total transmission and distribution	<u>\$ 142,753</u>	<u>\$ 119,958</u>	<u>\$ 22,795</u>
Customer service:			
Labor	\$ 24,100	\$ 24,081	\$ 19
Supplies	2,248	2,592	(344)
Thawing water services	729	6,879	(6,150)
Equipment rental	3,892	3,496	396
Total customer service	<u>\$ 30,969</u>	<u>\$ 37,048</u>	<u>\$ (6,079)</u>
Administrative and general:			
Salaries and wages	\$ 112,582	\$ 106,208	\$ 6,374
Telephone	3,197	3,105	92
Overhead on salaries and wages	77,453	70,104	7,349
Life and hospital insurance	90,878	85,636	5,242
Supplies - miscellaneous	1,852	1,686	166
Office supplies	645	699	(54)
Building supplies	749	476	273
Professional services	784	-	784
Special services	4,075	4,398	(323)
Miss Dig	14,133	15,620	(1,487)
Travel expense, auto allowance	1,612	972	640
Sales promotion	88	-	88
Printing and publishing	2,693	2,465	228
Insurance and bonds	18,918	17,526	1,392
Utilities - electric	64,563	61,211	3,352
Utilities - gas	25,531	20,673	4,858
Utilities - wastewater	9,813	7,589	2,224
Repairs to structures	621	283	338
Repairs to equipment	770	-	770
Rental of equipment	1,135	1,368	(233)
Uncollectible accounts	465	(774)	1,239
Memberships and dues	265	430	(165)
Education and training	1,879	3,992	(2,113)
Books, magazines and periodicals	294	280	14
Total administrative and general	<u>\$ 434,995</u>	<u>\$ 403,947</u>	<u>\$ 31,048</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2004

CITY OF ESCANABA DRINKING WATER PROGRAM
PROJECT #7009-01 - ISSUED JUNE 27, 2002

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2004	\$ 110,000	\$ 33,959	\$ 143,959
April 1, 2005	-	33,000	33,000
October 1, 2005	110,000	33,000	143,000
April 1, 2006	-	31,625	31,625
October 1, 2006	115,000	31,625	146,625
April 1, 2007	-	30,188	30,188
October 1, 2007	115,000	30,188	145,188
April 1, 2008	-	28,750	28,750
October 1, 2008	120,000	28,750	148,750
April 1, 2009	-	27,250	27,250
October 1, 2009	120,000	27,250	147,250
April 1, 2010	-	25,750	25,750
October 1, 2010	125,000	25,750	150,750
April 1, 2011	-	24,187	24,187
October 1, 2011	130,000	24,187	154,187
April 1, 2012	-	22,563	22,563
October 1, 2012	130,000	22,563	152,563
April 1, 2013	-	20,937	20,937
October 1, 2013	135,000	20,937	155,937
April 1, 2014	-	19,250	19,250
October 1, 2014	135,000	19,250	154,250
April 1, 2015	-	17,563	17,563
October 1, 2015	140,000	17,563	157,563
April 1, 2016	-	15,812	15,812
October 1, 2016	145,000	15,812	160,812
April 1, 2017	-	14,000	14,000
October 1, 2017	150,000	14,000	164,000
April 1, 2018	-	12,125	12,125
October 1, 2018	150,000	12,125	162,125
April 1, 2019	-	10,250	10,250
October 1, 2019	155,000	10,250	165,250
April 1, 2020	-	8,313	8,313
October 1, 2020	160,000	8,313	168,313
April 1, 2021	-	6,312	6,312
October 1, 2021	165,000	6,312	171,312
April 1, 2022	-	4,250	4,250
October 1, 2022	170,000	4,250	174,250
April 1, 2023	-	2,125	2,125
October 1, 2023	170,000	2,125	172,125
	<u>\$2,750,000</u>	<u>\$ 742,459</u>	<u>\$3,492,459</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2004

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 06/30/04</u>
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	3,096,029	2,895,142	-	5,991,171
Water towers	556,356	-	-	556,356
Lake intake	9,947	-	-	9,947
Fountain	4,410	-	-	4,410
Wells	76,068	-	-	76,068
Electric pumping equipment	188,426	-	-	188,426
Purification system	77,805	-	-	77,805
Transmission mains	572,019	-	-	572,019
Distribution mains	4,957,309	39,300	-	4,996,609
Meters	346,810	14,942	-	361,752
Hydrants	83,562	-	-	83,562
Office furniture and equipment	35,481	7,783	-	43,264
Laboratory equipment	36,019	1,949	-	37,968
Miscellaneous equipment	16,799	-	-	16,799
Tools and works equipment	<u>105,369</u>	<u>1,184</u>	<u>-</u>	<u>106,553</u>
Subtotal	10,168,009	2,960,300	-	13,128,309
Construction in progress	<u>2,453,932</u>	<u>505,725</u>	<u>2,930,571</u>	<u>29,086</u>
TOTALS	<u>\$12,621,941</u>	<u>\$ 3,466,025</u>	<u>\$ 2,930,571</u>	<u>\$13,157,395</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 2,149,966	\$ 2,242,566
Receivables:		
Accounts	124,903	64,623
Special assessments	-	2,350
Accrued interest	25,002	32,915
Chemical inventory	<u>8,023</u>	<u>6,977</u>
Total current assets	<u>2,307,894</u>	<u>2,349,431</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	89,421	84,734
Replacement account:		
Equity in pooled cash and investments	50,000	50,000
Bond reserve account:		
Investments, at market	<u>85,850</u>	<u>85,900</u>
Total restricted assets	<u>225,271</u>	<u>220,634</u>
Property, plant and equipment	11,576,038	11,561,145
Less accumulated depreciation	<u>(4,445,810)</u>	<u>(4,269,205)</u>
Net property, plant and equipment	<u>7,130,228</u>	<u>7,291,940</u>
TOTAL ASSETS	<u>\$ 9,663,393</u>	<u>\$ 9,862,005</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 12,147	\$ 5,353
Accrued salaries, wages and fringes	69,043	63,459
Accrued interest payable	8,216	8,818
Payable from restricted assets:		
Current portion of revenue bonds	115,000	115,000
Deferred revenue	<u>-</u>	<u>2,350</u>
Total current liabilities	<u>204,406</u>	<u>194,980</u>
Long-term liabilities:		
Revenue bonds payable	<u>1,430,000</u>	<u>1,545,000</u>
TOTAL LIABILITIES	<u>1,634,406</u>	<u>1,739,980</u>
NET ASSETS:		
Invested in capital assets, net of related debt	5,585,228	5,631,940
Unrestricted	2,218,488	2,269,451
Restricted:		
Revenue bond indentures	<u>225,271</u>	<u>220,634</u>
TOTAL NET ASSETS	<u>8,028,987</u>	<u>8,122,025</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,663,393</u>	<u>\$ 9,862,005</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the Years Ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 976,495	\$ 946,040
Interdepartmental sales	13,393	13,565
Reconnection fees	1,378	1,433
Miscellaneous revenues	<u>6,093</u>	<u>5,264</u>
TOTAL OPERATING REVENUES	<u>997,359</u>	<u>966,302</u>
OPERATING EXPENSES:		
Production	269,646	256,775
Transmission and distribution	65,965	49,918
Station	20,472	22,048
Customer service	23,170	23,314
Administrative and general	330,348	307,350
Provision for depreciation	201,739	206,763
Overhead to utilities	<u>161,712</u>	<u>152,025</u>
TOTAL OPERATING EXPENSES	<u>1,073,052</u>	<u>1,018,193</u>
OPERATING INCOME (LOSS)	<u>(75,693)</u>	<u>(51,891)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(65,534)	16,004
Gain (loss) sale of property	(52)	-
Interest earnings	97,419	110,917
Interest expense	(33,466)	(35,825)
Operating transfers out:		
Capital Projects Fund	<u>(15,712)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(17,345)</u>	<u>91,096</u>
CHANGE IN NET ASSETS	(93,038)	39,205
Net assets, beginning of year	<u>8,122,025</u>	<u>8,082,820</u>
NET ASSETS, END OF YEAR	<u>\$ 8,028,987</u>	<u>\$ 8,122,025</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWS**

For the year ended June 30, 2004
with comparative totals for June 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from other funds for purchase of receivables	\$ 923,686	\$ 940,994
Cash received from other funds for services	13,393	11,810
Cash payments to suppliers for goods and services	(556,310)	(556,351)
Cash payments to employees for services	(277,847)	(243,276)
Cash payments to other funds for services	<u>(25,824)</u>	<u>(27,174)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>77,098</u>	<u>126,003</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	<u>(15,712)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(40,079)	(47,205)
Principal paid on revenue bond maturities	(115,000)	(105,000)
Interest paid on revenue bonds	<u>(34,068)</u>	<u>(36,376)</u>
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(189,147)</u>	<u>(188,581)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(65,534)	16,004
Interest received	<u>105,332</u>	<u>138,726</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>39,798</u>	<u>154,730</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(87,963)	92,152
Cash and equivalents, beginning of year	<u>2,463,200</u>	<u>2,371,048</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 2,375,237</u></u>	<u><u>\$ 2,463,200</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (75,693)	\$ (51,891)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	201,739	206,763
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(60,280)	(10,568)
(Increase) decrease in due from other funds	-	7,900
(Increase) decrease in chemical inventory and prepaids	(1,046)	(314)
Increase (decrease) in due to other funds	-	(9,655)
Increase (decrease) in accounts payable	6,794	(17,124)
Increase (decrease) in accruals	5,584	2,067
Increase (decrease) in other liabilities	<u>-</u>	<u>(1,175)</u>
Total adjustments	<u>152,791</u>	<u>177,894</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 77,098</u></u>	<u><u>\$ 126,003</u></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WASTE WATER UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES**

For the Years Ended June 30, 2004 and 2003

	<u>June 30</u>		<u>Increase (Decrease)</u>
	<u>2004</u>	<u>2003</u>	
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 133,685	\$ 130,411	\$ 3,274
Supplies - miscellaneous	65	373	(308)
Plant chemicals	23,796	22,378	1,418
Laboratory chemicals and supplies	4,790	2,880	1,910
NPDES and permit testing	10,383	4,523	5,860
Sludge hauling	29,099	21,679	7,420
Sludge fee	1,603	1,542	61
Diesel fuel	470	327	143
Repairs to structure - labor	4,290	2,386	1,904
Repairs to structures - supplies	2,338	1,364	974
Repairs to equipment - outside vendors	1,549	705	844
Repairs to equipment - labor	42,634	45,808	(3,174)
Repairs to equipment - supplies	14,077	21,448	(7,371)
Rental of equipment	867	951	(84)
Total production	<u>\$ 269,646</u>	<u>\$ 256,775</u>	<u>\$ 12,871</u>
Transmission and distribution:			
Salaries and wages	\$ 21,636	\$ 18,017	\$ 3,619
Fringe benefits	39	-	39
Supplies - miscellaneous	873	1,334	(461)
Repairs to structures - supplies	20,739	6,961	13,778
Rental of equipment	18,629	19,804	(1,175)
Repairs to structure - inspection	4,049	3,802	247
Total transmission and distribution	<u>\$ 65,965</u>	<u>\$ 49,918</u>	<u>\$ 16,047</u>
Station:			
Salaries and wages	\$ 10,482	\$ 8,709	\$ 1,773
Repairs to structure - labor	-	571	(571)
Repairs to structures - supplies	41	-	41
Repairs to equipment - labor	5,220	6,565	(1,345)
Repairs to equipment - supplies	1,328	2,648	(1,320)
Rental of equipment	3,401	3,555	(154)
Total station	<u>\$ 20,472</u>	<u>\$ 22,048</u>	<u>\$ (1,576)</u>
Customer service:			
Rental of equipment	\$ 1,493	\$ 1,742	\$ (249)
Labor - service to customers	21,677	21,571	106
Supplies - metering and supplies	-	1	(1)
Total customer service	<u>\$ 23,170</u>	<u>\$ 23,314</u>	<u>\$ (144)</u>
Administrative and general:			
Salaries and wages	\$ 95,912	\$ 88,206	\$ 7,706
Telephone	2,315	2,194	121
Overhead on salaries and wages	64,618	58,562	6,056
Life and hospital insurance	67,697	65,200	2,497
Supplies - miscellaneous	510	139	371
Office supplies	530	572	(42)
Building supplies	752	608	144
Professional services	559	510	49
Special services	462	641	(179)
Miss Dig	266	259	7
Travel expense, auto allowance	2,021	2,145	(124)
Insurance and bonds	21,282	19,496	1,786
Utilities - electric	59,221	60,706	(1,485)
Utilities - gas	8,915	3,988	4,927

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES

For the Years Ended June 30, 2004 and 2003

	<u>June 30</u>		<u>Increase (Decrease)</u>
	<u>2004</u>	<u>2003</u>	
Repairs to equipment	\$ 1,500	\$ 842	\$ 658
Rental of equipment	1,434	1,122	312
Uncollectible accounts	357	(631)	988
Memberships and dues	749	602	147
Education and training	<u>1,248</u>	<u>2,189</u>	<u>(941)</u>
Total administrative and general	<u>\$ 330,348</u>	<u>\$ 307,350</u>	<u>\$ 22,998</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2004

CITY OF ESCANABA SEWAGE DISPOSAL SYSTEM REVENUE BOND
PROJECT #5149-01 ISSUED SEPTEMBER 29, 1998

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2.25%	\$ 45,000	\$ 8,831	\$ 53,831
October 1, 2004	2.25%	-	8,325	8,325
April 1, 2005	2.25%	45,000	8,325	53,325
October 1, 2005	2.25%	-	7,819	7,819
April 1, 2006	2.25%	45,000	7,819	52,819
October 1, 2006	2.25%	-	7,313	7,313
April 1, 2007	2.25%	50,000	7,312	57,312
October 1, 2007	2.25%	-	6,750	6,750
April 1, 2008	2.25%	50,000	6,750	56,750
October 1, 2008	2.25%	-	6,188	6,188
April 1, 2009	2.25%	50,000	6,187	56,187
October 1, 2009	2.25%	-	5,625	5,625
April 1, 2010	2.25%	50,000	5,625	55,625
October 1, 2010	2.25%	-	5,063	5,063
April 1, 2011	2.25%	50,000	5,062	55,062
October 1, 2011	2.25%	-	4,500	4,500
April 1, 2012	2.25%	55,000	4,500	59,500
October 1, 2012	2.25%	-	3,881	3,881
April 1, 2013	2.25%	55,000	3,881	58,881
October 1, 2013	2.25%	-	3,263	3,263
April 1, 2014	2.25%	55,000	3,262	58,262
October 1, 2014	2.25%	-	2,644	2,644
April 1, 2015	2.25%	55,000	2,644	57,644
October 1, 2015	2.25%	-	2,025	2,025
April 1, 2016	2.25%	60,000	2,025	62,025
October 1, 2016	2.25%	-	1,350	1,350
April 1, 2017	2.25%	60,000	1,350	61,350
October 1, 2017	2.25%	-	675	675
April 1, 2018	2.25%	60,000	675	60,675
October 1, 2018				
		<u>\$ 785,000</u>	<u>\$ 139,669</u>	<u>\$ 924,669</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2004

CITY OF ESCANABA SEWAGE DISPOSAL SYSTEM REVENUE BOND PROJECT #5069-01

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2004	2.00%	\$ 70,000	\$ 7,600	\$ 77,600
April 1, 2005	2.00%	-	6,900	6,900
October 1, 2005	2.00%	70,000	6,900	76,900
April 1, 2006	2.00%	-	6,200	6,200
October 1, 2006	2.00%	70,000	6,200	76,200
April 1, 2007	2.00%	-	5,500	5,500
October 1, 2007	2.00%	75,000	5,500	80,500
April 1, 2008	2.00%	-	4,750	4,750
October 1, 2008	2.00%	75,000	4,750	79,750
April 1, 2009	2.00%	-	4,000	4,000
October 1, 2009	2.00%	75,000	4,000	79,000
April 1, 2010	2.00%	-	3,250	3,250
October 1, 2010	2.00%	80,000	3,250	83,250
April 1, 2011	2.00%	-	2,450	2,450
October 1, 2011	2.00%	80,000	2,450	82,450
April 1, 2012	2.00%	-	1,650	1,650
October 1, 2012	2.00%	80,000	1,650	81,650
April 1, 2013	2.00%	-	850	850
October 1, 2013	2.00%	85,000	850	85,850
		<u>\$ 760,000</u>	<u>\$ 78,700</u>	<u>\$ 838,700</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
For the year ended June 30, 2004

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/04</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,320,731	10,510	2,674	6,328,567
Tools and equipment	64,483	1,420	20,014	45,889
Mains	5,098,533	31,698	-	5,130,231
Purification equipment	2,762	-	-	2,762
Office furniture and equipment	<u>37,584</u>	<u>1,070</u>	<u>2,498</u>	<u>36,156</u>
Subtotal	11,525,966	44,698	25,186	11,545,478
Construction in progress	<u>35,179</u>	<u>27,079</u>	<u>31,698</u>	<u>30,560</u>
TOTALS	<u>\$11,561,145</u>	<u>\$ 71,777</u>	<u>\$ 56,884</u>	<u>\$11,576,038</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MARINA FUND
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash	\$ 13,029	\$ 14,028
Investments, at market	102,297	96,265
Accrued interest receivable	1,165	1,815
Receivables	10,536	15,490
Inventories, net of obsolescence allowance	<u>11,725</u>	<u>6,656</u>
Total current assets	<u>138,752</u>	<u>134,254</u>
Property, plant and equipment	2,617,372	2,617,372
Less accumulated depreciation	<u>(635,062)</u>	<u>(572,326)</u>
Net property, plant and equipment	<u>1,982,310</u>	<u>2,045,046</u>
TOTAL ASSETS	<u>\$ 2,121,062</u>	<u>\$ 2,179,300</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 12,054	\$ 4,747
Long-term liabilities:		
Advance from other funds	<u>380,476</u>	<u>394,404</u>
TOTAL LIABILITIES	<u>392,530</u>	<u>399,151</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,601,834	1,650,642
Unrestricted	<u>126,698</u>	<u>129,507</u>
TOTAL NET ASSETS	<u>1,728,532</u>	<u>1,780,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,121,062</u>	<u>\$ 2,179,300</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services:		
Dock fees	\$ 153,925	\$ 163,811
Fuel and concession revenues	68,549	59,415
Miscellaneous:		
Other	<u>589</u>	<u>577</u>
TOTAL OPERATING REVENUES	<u>223,063</u>	<u>223,803</u>
OPERATING EXPENSES:		
Enterprises:		
Summer services:		
Salaries and wages	78,448	84,930
Fringe benefits	16,766	16,860
Fuel	52,137	46,887
Clothing	112	-
Uniform maintenance	120	-
Professional services	795	790
Office supplies	2,269	1,939
Building supplies	1,509	1,006
Communications	1,312	1,213
Transportation	907	1,857
Printing and publishing	2,152	2,190
Insurance and bonds	6,625	6,217
Public utilities	12,528	11,432
Building maintenance	2,494	4,942
Meetings	630	1,595
Equipment repair	1,774	2,322
Equipment rental	6,122	4,461
Weed harvesting	3,849	10,641
New equipment	240	-
Provision for depreciation	<u>62,736</u>	<u>62,804</u>
TOTAL OPERATING EXPENSES	<u>253,525</u>	<u>262,086</u>
OPERATING INCOME (LOSS)	<u>(30,462)</u>	<u>(38,283)</u>
NON-OPERATING REVENUES (EXPENSES):		
State grants:		
Marina project	-	1,391
Gain (loss) on sale of investments	(2,594)	2,598
Interest earnings	3,676	4,388
Interest expense	(19,256)	(19,776)
Operating transfers out:		
Grants Fund	<u>(2,981)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(21,155)</u>	<u>(11,399)</u>
CHANGE IN NET ASSETS	<u>(51,617)</u>	<u>(49,682)</u>
Net assets, beginning of year	<u>1,780,149</u>	<u>1,829,831</u>
NET ASSETS, END OF YEAR	<u>\$ 1,728,532</u>	<u>\$ 1,780,149</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
STATEMENT OF CASH FLOWSFor the year ended June 30, 2004
with comparative totals for June 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 228,017	\$ 210,963
Cash payments to suppliers for goods and services	(87,215)	(95,796)
Cash payments to employees for services	(95,214)	(101,790)
Cash payments to other funds for services	(6,122)	(4,461)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>39,466</u>	<u>8,916</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	(13,928)	(128,828)
Operating transfers out	(2,981)	-
NET CASH USED BY NON-CAPITAL FINANCING ACTIVITIES	<u>(16,909)</u>	<u>(128,828)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
State grants	-	135,320
Interest paid	(19,256)	(19,776)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(19,256)</u>	<u>115,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(2,594)	2,598
Interest earned	4,326	3,660
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,732</u>	<u>6,258</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	5,033	1,890
Cash and equivalents, beginning of year	<u>110,293</u>	<u>108,403</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 115,326</u>	<u>\$ 110,293</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (30,462)	\$ (38,283)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	62,736	62,804
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,954	(12,840)
(Increase) decrease in inventories	(5,069)	(1,284)
Increase (decrease) in accounts payable	7,307	(1,481)
Total adjustments	<u>69,928</u>	<u>47,199</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 39,466</u>	<u>\$ 8,916</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2004

	Balance 06/30/03	Transfers and Additions	Retirements, Dispositions and Transfers	Balance 06/30/04
Boat Launch/Parking Lots:				
Boat launch/parking lot	\$ 63,955	\$ -	\$ -	\$ 63,955
Skid Pier	5,972	-	-	5,972
Solar lighting	12,757	-	-	12,757
	7,502	-	-	7,502
Furniture, Fixtures and Equipment				
Marina Docks, Piers and Walls:				
12 floating piers, revetment wall and fuel system	328,314	-	-	328,314
Barage docks	13,075	-	-	13,075
Two 550' piers and revetment wall	770,982	-	-	770,982
Mooring buoys	7,816	-	-	7,816
Transitional anchoring system	42,369	-	-	42,369
Various upgrades	30,453	-	-	30,453
Revetment wall	346,067	-	-	346,067
Harbor Master Building:				
Harbor master building	579,152	-	-	579,152
Parking lot and landscaping	408,958	-	-	408,958
TOTALS	<u>\$ 2,617,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,617,372</u>

See accompanying notes to financial statements.

INTERNAL SERVICE FUNDS

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund
ASSETS:						
Current assets:						
Cash and equivalents	\$ 8,987	\$ -	\$ -	\$ -	\$ -	\$ -
Investments, at market	330,470	1,012,557	111,853	77,386	50,275	-
Receivables:						
Accounts, net of bad debt allowance	-	-	-	-	-	54,019
Accrued interest	3,326	11,089	1,333	815	579	-
Prepaid expenses	63,121	-	-	16,780	409	99,609
Cash on deposit	-	-	-	-	6,000	19,375
Total current assets	<u>405,904</u>	<u>1,023,646</u>	<u>113,186</u>	<u>94,981</u>	<u>57,263</u>	<u>173,003</u>
Property, plant and equipment:						
Property, plant and equipment	7,375,669	4,589,256	279,081	-	-	-
Less accumulated depreciation	(1,551,304)	(3,251,743)	(153,435)	-	-	-
Net property, plant and equipment	<u>5,824,365</u>	<u>1,337,513</u>	<u>125,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,230,269</u>	<u>\$ 2,361,159</u>	<u>\$ 238,832</u>	<u>\$ 94,981</u>	<u>\$ 57,263</u>	<u>\$ 173,003</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 2,911	\$ 12,184	\$ 31,700	\$ -	\$ -	\$ 63,396
Claims payable	-	-	-	4,000	26,970	-
Accrued salaries, wages and fringes	7,014	30,300	-	-	-	-
Accrued interest payable	20,102	-	-	-	-	-
Due to other funds	-	-	-	-	-	34,960
Bonds payable	170,000	-	-	-	-	-
Total current liabilities	<u>200,027</u>	<u>42,484</u>	<u>31,700</u>	<u>4,000</u>	<u>26,970</u>	<u>98,356</u>
Long-term liabilities:						
Bonds payable	<u>3,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,910,027</u>	<u>42,484</u>	<u>31,700</u>	<u>4,000</u>	<u>26,970</u>	<u>98,356</u>
NET ASSETS:						
Invested in capital assets, net of related debt	1,944,365	1,337,513	125,646	-	-	-
Unrestricted	375,877	981,162	81,486	90,981	30,293	74,647
TOTAL NET ASSETS	<u>2,320,242</u>	<u>2,318,675</u>	<u>207,132</u>	<u>90,981</u>	<u>30,293</u>	<u>74,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,230,269</u>	<u>\$ 2,361,159</u>	<u>\$ 238,832</u>	<u>\$ 94,981</u>	<u>\$ 57,263</u>	<u>\$ 173,003</u>

See accompanying notes to financial statements.

Worker's Compensa- tion Fund	Unemployment Compensation Fund	Totals	
		2004	2003
\$ -	\$ -	\$ 8,987	\$ -
1,269,346	405,726	3,257,613	3,533,340
-	-	54,019	-
14,731	4,441	36,314	49,990
-	-	179,919	189,192
-	-	25,375	25,375
<u>1,284,077</u>	<u>410,167</u>	<u>3,562,227</u>	<u>3,797,897</u>
-	-	12,244,006	12,209,196
-	-	(4,956,482)	(4,693,142)
-	-	<u>7,287,524</u>	<u>7,516,054</u>
<u>\$ 1,284,077</u>	<u>\$ 410,167</u>	<u>\$ 10,849,751</u>	<u>\$ 11,313,951</u>
\$ 17,155	\$ -	\$ 127,346	\$ 100,893
325,000	3,066	359,036	403,193
-	-	37,314	36,705
-	-	20,102	-
-	-	34,960	25,470
-	-	170,000	105,000
<u>342,155</u>	<u>3,066</u>	<u>748,758</u>	<u>671,261</u>
-	-	3,710,000	3,727,000
<u>342,155</u>	<u>3,066</u>	<u>4,458,758</u>	<u>4,398,261</u>
-	-	3,407,524	3,684,054
<u>941,922</u>	<u>407,101</u>	<u>2,983,469</u>	<u>3,231,636</u>
<u>941,922</u>	<u>407,101</u>	<u>6,390,993</u>	<u>6,915,690</u>
<u>\$ 1,284,077</u>	<u>\$ 410,167</u>	<u>\$ 10,849,751</u>	<u>\$ 11,313,951</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2004 and 2003

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,484
Cobra contributions	-	-	-	-	-	46,282
City's contribution for employees	-	-	-	-	89,494	1,028,444
Employee insurance co-pay	-	-	-	-	-	4,350
Equipment rental	-	770,438	51,133	-	-	-
Provision for self insurance	-	-	-	188,752	-	-
Miscellaneous	503,785	155	-	-	-	-
TOTAL OPERATING REVENUES	503,785	770,593	51,133	188,752	89,494	1,181,560
OPERATING EXPENSES:						
General government	232,129	716,649	23,115	151,304	122,568	1,154,602
Capital projects	5,444	-	-	-	-	-
Provision for depreciation	176,080	269,254	27,354	-	-	-
TOTAL OPERATING EXPENSES	413,653	985,903	50,469	151,304	122,568	1,154,602
OPERATING INCOME (LOSS)	90,132	(215,310)	664	37,448	(33,074)	26,958
NON-OPERATING REVENUES (EXPENSES):						
Gain (loss) on sale of investments	(7,729)	(29,564)	(3,803)	(1,260)	(1,772)	-
Gain (loss) on sale of equipment	-	853	(10)	-	-	-
Interest earnings	13,183	44,143	5,417	4,006	2,407	-
Interest expense	(252,555)	-	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(247,101)	15,432	1,604	2,746	635	-
CHANGE IN NET ASSETS	(156,969)	(199,878)	2,268	40,194	(32,439)	26,958
Net assets, beginning of year	2,477,211	2,518,553	204,864	50,787	62,732	47,689
NET ASSETS, END OF YEAR	\$ 2,320,242	\$ 2,318,675	\$ 207,132	\$ 90,981	\$ 30,293	\$ 74,647

See accompanying notes to financial statements.

Worker's Compensation Fund	Unemployment Compensation Fund	Totals	
		2004	2003
\$ -	\$ -	\$ 102,484	\$ 107,191
-	-	46,282	37,383
-	-	1,117,938	1,069,550
-	-	4,350	1,840
-	-	821,571	820,206
-	-	188,752	173,763
-	-	503,940	534,449
-	-	2,785,317	2,744,382
219,745	3,844	2,623,956	2,442,442
-	-	5,444	7,614
-	-	472,688	478,037
219,745	3,844	3,102,088	2,928,093
(219,745)	(3,844)	(316,771)	(183,711)
(45,028)	(12,004)	(101,160)	21,333
-	-	843	4,662
58,546	17,244	144,946	170,740
-	-	(252,555)	(200,768)
13,518	5,240	(207,926)	(4,033)
(206,227)	1,396	(524,697)	(187,744)
1,148,149	405,705	6,915,690	7,103,434
\$ 941,922	\$ 407,101	\$ 6,390,993	\$ 6,915,690

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWSFor the year ended June 30, 2004
with comparative totals for the year ended June 30, 2003

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention	Dental Fund	Health Insurance Fund	Worker's Compensa- tion Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,127,541	\$ -
Cash received from other funds for services	503,785	770,593	51,133	188,752	89,494	-	-
Cash payments to suppliers for goods and services	(207,074)	(557,362)	8,817	-	(5,158)	(35,699)	(6,421)
Cash payments to employees for services	(91,626)	(162,614)	-	-	-	-	-
Cash payments of benefits	-	-	-	(115,830)	(110,109)	(1,109,131)	(227,218)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>205,085</u>	<u>50,617</u>	<u>59,950</u>	<u>72,922</u>	<u>(25,773)</u>	<u>(17,289)</u>	<u>(233,639)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Principal payments on bonds	(3,832,000)	-	-	-	-	-	-
Interest expense	(232,453)	-	-	-	-	-	-
Acquisition and construction of capital assets	(567)	(159,488)	(84,871)	-	-	-	-
Proceeds from sale of equipment	-	1,611	-	-	-	-	-
Proceeds from bond issuance	<u>3,880,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(185,020)</u>	<u>(157,877)</u>	<u>(84,871)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest and gains on investments	<u>6,179</u>	<u>18,212</u>	<u>2,160</u>	<u>2,687</u>	<u>975</u>	<u>-</u>	<u>20,598</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	26,244	(89,048)	(22,761)	75,609	(24,798)	(17,289)	(213,041)
Cash and equivalents, beginning of year	<u>313,213</u>	<u>1,101,605</u>	<u>134,614</u>	<u>1,777</u>	<u>75,073</u>	<u>17,289</u>	<u>1,482,387</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 339,457</u>	<u>\$ 1,012,557</u>	<u>\$ 111,853</u>	<u>\$ 77,386</u>	<u>\$ 50,275</u>	<u>\$ -</u>	<u>\$ 1,269,346</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 90,132	\$ (215,310)	\$ 664	\$ 37,448	\$ (33,074)	\$ 26,958	\$ (219,745)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	176,080	269,254	27,354	-	-	-	-
Changes in assets and liabilities:							
(Increase) decrease in receivables, prepaids, due from other funds and deposits	(63,121)	-	-	83,769	(5)	(65,389)	-
Increase (decrease) in accounts and claims payable and due to other funds	2,588	(4,530)	31,932	(48,295)	7,306	21,142	(13,894)
Increase (decrease) in accruals	(594)	1,203	-	-	-	-	-
Total adjustments	<u>114,953</u>	<u>265,927</u>	<u>59,286</u>	<u>35,474</u>	<u>7,301</u>	<u>(44,247)</u>	<u>(13,894)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 205,085</u>	<u>\$ 50,617</u>	<u>\$ 59,950</u>	<u>\$ 72,922</u>	<u>\$ (25,773)</u>	<u>\$ (17,289)</u>	<u>\$ (233,639)</u>

See accompanying notes to financial statements.

Unemploy- ment Com- pensation Fund	Totals	
	2004	2003
\$ -	\$1,127,541	\$1,125,272
-	1,603,757	1,623,457
(200)	(803,097)	(681,770)
-	(254,240)	(261,427)
<u>(8,107)</u>	<u>(1,570,395)</u>	<u>(1,571,142)</u>
<u>(8,307)</u>	<u>103,566</u>	<u>234,390</u>
-	(3,832,000)	(95,000)
-	(232,453)	(200,768)
-	(244,926)	(137,201)
-	1,611	19,479
<u>-</u>	<u>3,880,000</u>	<u>-</u>
<u>-</u>	<u>(427,768)</u>	<u>(413,490)</u>
<u>6,651</u>	<u>57,462</u>	<u>236,132</u>
(1,656)	(266,740)	57,032
<u>407,382</u>	<u>3,533,340</u>	<u>3,476,308</u>
<u>\$ 405,726</u>	<u>\$3,266,600</u>	<u>\$3,533,340</u>
<u>\$ (3,844)</u>	<u>\$ (316,771)</u>	<u>\$ (181,370)</u>
-	472,688	478,037
-	(44,746)	(94,283)
(4,463)	(8,214)	31,563
<u>-</u>	<u>609</u>	<u>443</u>
<u>(4,463)</u>	<u>420,337</u>	<u>415,760</u>
<u>\$ (8,307)</u>	<u>\$ 103,566</u>	<u>\$ 234,390</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ESCANABA BUILDING AUTHORITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash and equivalents	\$ 8,987	\$ -
Investments, at market	330,470	313,213
Receivables:		
Accrued interest	3,326	4,051
Prepaid expenses	<u>63,121</u>	<u>-</u>
Total current assets	<u>405,904</u>	<u>317,264</u>
Property, plant and equipment:		
Property, plant and equipment	7,375,669	7,390,019
Less accumulated depreciation	<u>(1,551,304)</u>	<u>(1,390,141)</u>
Net property, plant and equipment	<u>5,824,365</u>	<u>5,999,878</u>
TOTAL ASSETS	<u>\$ 6,230,269</u>	<u>\$ 6,317,142</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,911	\$ 323
Accrued salaries, wages and fringes	7,014	7,608
Accrued interest payable	20,102	-
Bonds payable	<u>170,000</u>	<u>105,000</u>
Total current liabilities	<u>200,027</u>	<u>112,931</u>
Long-term liabilities:		
Bonds payable	<u>3,710,000</u>	<u>3,727,000</u>
TOTAL LIABILITIES	<u>3,910,027</u>	<u>3,839,931</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,944,365	2,167,878
Unrestricted	<u>375,877</u>	<u>309,333</u>
TOTAL NET ASSETS	<u>2,320,242</u>	<u>2,477,211</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,230,269</u>	<u>\$ 6,317,142</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Miscellaneous	\$ 503,785	\$ 534,449
OPERATING EXPENSES:		
General government:		
Salaries and wages	76,979	87,383
Fringe benefits	14,053	13,992
Overhead on salaries and wages	14,713	17,141
Travel expenses	-	328
Professional services	50,034	149
Public utilities	51,178	50,318
Insurance and bonds	8,466	7,293
Supplies	1,721	1,983
Building supplies	7,542	5,168
Equipment rental	1,972	808
Equipment maintenance	3,090	1,082
Telephone	2,304	1,973
Christmas Tree	77	35
Capital projects:		
Construction	5,444	7,614
Provision for depreciation	<u>176,080</u>	<u>179,638</u>
TOTAL OPERATING EXPENSES	<u>413,653</u>	<u>374,905</u>
OPERATING INCOME	<u>90,132</u>	<u>159,544</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(7,729)	3,812
Interest earnings	13,183	13,468
Interest expense	<u>(252,555)</u>	<u>(200,768)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(247,101)</u>	<u>(183,488)</u>
CHANGE IN NET ASSETS	(156,969)	(23,944)
Net assets, beginning of year	<u>2,477,211</u>	<u>2,501,155</u>
NET ASSETS, END OF YEAR	<u>\$ 2,320,242</u>	<u>\$ 2,477,211</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ESCANABA BUILDING AUTHORITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2004

City of Escanaba, Escanaba Building Authority -
City Hall/Library Bond Dated May 11, 2004

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 1, 2004	2.00%	\$ -	\$ 45,029	\$ 45,029
March 1, 2005	2.00%	170,000	73,684	243,684
September 1, 2005	2.00%	-	71,984	71,984
March 1, 2006	2.25%	150,000	71,984	221,984
September 1, 2006	2.25%	-	70,296	70,296
March 1, 2007	2.50%	150,000	70,296	220,296
September 1, 2007	2.50%	-	68,421	68,421
March 1, 2008	2.75%	150,000	68,421	218,421
September 1, 2008	2.75%	-	66,359	66,359
March 1, 2009	3.125%	160,000	66,359	226,359
September 1, 2009	3.125%	-	63,859	63,859
March 1, 2010	3.375%	160,000	63,859	223,859
September 1, 2010	3.375%	-	61,159	61,159
March 1, 2011	3.50%	170,000	61,159	231,159
September 1, 2011	3.50%	-	58,184	58,184
March 1, 2012	3.75%	175,000	58,184	233,184
September 1, 2012	3.75%	-	54,902	54,902
March 1, 2013	4.00%	180,000	54,902	234,902
September 1, 2013	4.00%	-	51,302	51,302
March 1, 2014	3.80%	190,000	51,302	241,302
September 1, 2014	3.80%	-	47,692	47,692
March 1, 2015	4.00%	195,000	47,692	242,692
September 1, 2015	4.00%	-	43,792	43,792
March 1, 2016	4.00%	205,000	43,792	248,792
September 1, 2016	4.00%	-	39,693	39,693
March 1, 2017	4.10%	215,000	39,693	254,693
September 1, 2017	4.10%	-	35,285	35,285
March 1, 2018	4.20%	220,000	35,285	255,285
September 1, 2018	4.20%	-	30,665	30,665
March 1, 2019	4.30%	225,000	30,665	255,665
September 1, 2019	4.30%	-	25,827	25,827
March 1, 2020	4.30%	235,000	25,827	260,827
September 1, 2020	4.30%	-	20,775	20,775
March 1, 2021	4.40%	250,000	20,775	270,775
September 1, 2021	4.40%	-	15,275	15,275
March 1, 2022	4.40%	260,000	15,275	275,275
September 1, 2022	4.40%	-	9,555	9,555
March 1, 2023	4.55%	270,000	9,555	279,555
September 1, 2023	4.55%	-	3,413	3,413
March 1, 2024	4.55%	150,000	3,414	153,414
		<u>\$3,880,000</u>	<u>\$1,795,590</u>	<u>\$5,675,590</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 1,012,557	\$ 1,101,605
Receivables:		
Accrued interest	<u>11,089</u>	<u>14,722</u>
Total current assets	<u>1,023,646</u>	<u>1,116,327</u>
Property, plant and equipment:		
Property, plant and equipment	4,589,256	4,605,126
Less accumulated depreciation	<u>(3,251,743)</u>	<u>(3,157,089)</u>
Net property, plant and equipment	<u>1,337,513</u>	<u>1,448,037</u>
TOTAL ASSETS	<u>\$ 2,361,159</u>	<u>\$ 2,564,364</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 12,184	\$ 16,714
Accrued salaries, wages and fringes	<u>30,300</u>	<u>29,097</u>
TOTAL LIABILITIES	<u>42,484</u>	<u>45,811</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,337,513	1,448,037
Unrestricted	<u>981,162</u>	<u>1,070,516</u>
TOTAL NET ASSETS	<u>2,318,675</u>	<u>2,518,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,361,159</u>	<u>\$ 2,564,364</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Equipment rental	\$ 770,438	\$ 772,629
Miscellaneous	155	-
TOTAL OPERATING REVENUES	<u>770,593</u>	<u>772,629</u>
OPERATING EXPENSES:		
General government:		
Salaries and wages	102,271	95,378
Fringe benefits	61,546	65,117
Supplies	12,919	15,183
Building supplies	2,643	2,720
Professional services	950	950
Communication	1,149	1,132
Printing & publishing	215	95
Insurance & bonds	34,073	30,938
Public utilities	38,872	33,449
Capital outlay - equipment	-	163
Uniform maintenance	520	484
Building maintenance	9,253	8,298
Equipment maintenance	425,250	365,181
Equipment rental	20,968	20,500
Office expense	244	261
Miscellaneous	5,739	5,589
Education and training	37	-
Provision for depreciation	<u>269,254</u>	<u>275,253</u>
TOTAL OPERATING EXPENSES	<u>985,903</u>	<u>920,691</u>
OPERATING INCOME (LOSS)	<u>(215,310)</u>	<u>(148,062)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(29,564)	5,418
Gain (loss) on sale of equipment	853	6,954
Interest earnings	<u>44,143</u>	<u>49,984</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>15,432</u>	<u>62,356</u>
CHANGE IN NET ASSETS	(199,878)	(85,706)
Net assets, beginning of year	<u>2,518,553</u>	<u>2,604,259</u>
NET ASSETS, END OF YEAR	<u>\$ 2,318,675</u>	<u>\$ 2,518,553</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE AND EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2004

Unit Number	Description	Balance 06/30/03	Additions	Retirements	Balance 06/30/04
1	1960 Duplex Snowblower	\$ 12,000	\$ -	\$ -	\$ 12,000
3	1987 White Laser Level	5,695	-	-	5,695
4	Homelite Power Blower	940	-	-	940
5	Hydraulic Hammer	1,918	-	-	1,918
7	Eager Beaver Model 200 Chipper	11,440	-	-	11,440
8	2000 Trackless 51" Snowblower	5,540	-	-	5,540
9	Hydrosander Pressure Washer	2,425	-	-	2,425
10	Tennant Model 480 Sweeper	11,703	-	-	11,703
11	1966 Davis Track Trencher	4,900	-	4,900	-
12	1987 Ski-Doo Alpine Snowmobile	5,250	-	-	5,250
13	Dew-Eze 72" All-Terrain Mower	28,815	-	-	28,815
14	2003 Chevrolet 3/4 Ton Pickup	16,982	-	-	16,982
17	1990 Ford Ranger Pickup	9,356	-	9,356	-
19	1991 Ford One-Ton Welder Pickup	14,290	-	-	14,290
21	1987 Chevrolet 4x4 Pickup	11,375	-	-	11,375
22	1990 Ford Ranger Pickup	12,023	-	-	12,023
25	2000 Ford F-150 Pickup	15,812	-	-	15,812
26	2000 Chevrolet Extended Cab Pickup	15,515	-	-	15,515
28	2003 MT5 Trackless with Duals	63,177	-	-	63,177
30	1991 Trackless Municipal Tractor	47,060	-	-	47,060
37	2003 Chevrolet 3/4 Ton 4x4 Pickup	19,539	-	-	19,539
40	1992 Sauber model 4500 Pole Trailer	9,050	-	-	9,050
41	1979 International Bulldozer	42,780	-	-	42,780
44	1992 MB Traffic Striper	1,724	-	-	1,724
45	1993 John Deere 7100 Backhoe	73,628	-	-	73,628
46	1992 Ford F-150 Pickup	11,080	-	-	11,080
47	1989 Ford F-350 Pickup	11,935	-	-	11,935
49	1984 Clark Forklift	26,747	-	-	26,747
50	1986 Ford 755a Tractor/Backhoe	55,168	-	-	55,168
51	1990 Ford F-150 4x4 Pickup	16,277	-	-	16,277
52	1993 Ford F-150 Pickup	15,670	-	-	15,670
53	1993 Ford F-250 Pickup	15,120	-	-	15,120
54	2000 Chevrolet Impala	18,895	-	-	18,895
56	1995 Ford F-800 Garbage Truck	117,114	-	-	117,114
57	2000 Ford LT 7500 Garbage Truck	129,282	-	-	129,282
58	2003 168" Rotary Mower	8,150	-	-	8,150
59	1990 Ford C8000 Garbage Truck	53,401	-	-	53,401
60	1992 Ford LTS8000 Garbage Truck	96,926	-	-	96,926
64	1990 Wyco Vibrator	1,753	-	-	1,753
66	1984 18" Sod Cutter	1,889	-	-	1,889
67	1983 EC 185 DM Econoline Concrete Saw	3,800	-	-	3,800
68	1984 Wacker Rammer	1,862	-	-	1,862
69	2000 14" Stihl Cutoff Saw	810	-	-	810
71	1991 Haybuster Model IG-10 Tub Grinder	63,983	-	-	63,983
73	Model HM35DI Compost Screener	57,300	-	-	57,300
74	1987 Dresser Model A-500E Grader	66,276	-	-	66,276
75	1989 New Holland Model 710 Leaf Loader	25,075	-	-	25,075
76	1997 Sreco Jet Rodder	20,650	-	-	20,650
77	1978 Cleaver Brooks Steamer	11,150	-	-	11,150
78	1990 Ford C8000 Vacuum Truck	102,579	-	-	102,579
79	1991 Ford LNT 9000 Tractor	22,660	-	-	22,660
80	1985 Fiat Front End Loader	59,638	-	-	59,638
81	2001 Komatsu Front End Loader	109,995	-	-	109,995
82	2003 Power Angling Broom	4,360	-	-	4,360
83	1989 Fiat-Allis Front-end Loader	57,489	-	-	57,489
84	1996 International Dump Truck	53,842	-	-	53,842
	Balance carried forward	\$ 1,683,813	\$ -	\$ 14,256	\$ 1,669,557

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**MOTOR VEHICLE AND EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT**

For the year ended June 30, 2004

Unit Number	Description	Balance 06/30/03	Additions	Retirements	Balance 06/30/04
	Balance brought forward	\$ 1,683,813	\$ -	\$ 14,256	\$ 1,669,557
85	1992 Ford 8000 Dump Truck	43,667	-	-	43,667
86	CPS End-Dump Trailer	25,935	-	-	25,935
87	1989 International Dump Truck	45,631	-	-	45,631
88	2001 Vac-All Street Sweeper	152,609	-	-	152,609
90	1965 Galion Compactor	8,250	-	-	8,250
92	2001 Sterling Dump Truck	82,697	-	-	82,697
93	2002 Sterling Dump Truck	71,700	-	-	71,700
95	2000 Ford Dump Truck w/Plow	69,693	-	-	69,693
96	1979 J.D. 670 A Grader	50,202	-	-	50,202
98	1985 Galion S-500E Grader	66,897	-	-	66,897
99/100	1989 Ford L-8000 Dump Truck	46,401	-	-	46,401
101	1987 John Deere Model 755 Tractor	12,045	-	-	12,045
105	John Deere F925 Front Mount Mower	12,988	-	-	12,988
106	1978 Griffith Well Point Pump	24,068	-	-	24,068
107	1974 Kentucky Trailer	3,000	-	-	3,000
108	2001 Sterling Sewer Cleaner	134,550	-	-	134,550
109	1997 Ford F-250 4x4 PU W/Boss Plow	22,530	-	-	22,530
111	1995 Ford Sludge Hauling Tanker	72,220	-	-	72,220
112	1999 Chevrolet Suburban	27,575	-	-	27,575
113	2004 Freightliner MZ-60 Sludge Truck	-	103,134	-	103,134
115	1978 Griffith Well Points	3,769	-	-	3,769
116	1984 MB Traffic Striper	10,500	-	-	10,500
117	1992 Ford F-250 Pickup	14,781	-	-	14,781
118	1992 Ford F-250 4x4 Pickup W/Dump	16,408	-	-	16,408
119	1993 John Deere Model F725 Mower	8,255	-	-	8,255
120	1996 Ford 1 Ton Pickup	19,649	-	-	19,649
121	1999 Ford F-350 Pickup	26,028	-	-	26,028
122	1998 Ford Cargo Van	20,437	-	-	20,437
124	1982 Ingersol-Rand Air Compressor	11,290	-	-	11,290
125	1989 Lincoln Arc Welder	2,360	-	-	2,360
127	1987 Ingersol-Rand Air Compressor	10,062	-	-	10,062
128	1999 Ford F-150 Pickup	14,588	-	-	14,588
129	1999 Chevrolet 4x4 Pickup	26,678	-	-	26,678
130	1999 Ford F-250 3/4 Ton W/Service Body	20,454	-	-	20,454
131	1992 Jacobsen 720 Lawn Sweeper	4,895	-	-	4,895
132	1993 Ford E - 350 Pickup	24,388	-	-	24,388
133	1989 Griffin Dewatering Pump	10,500	-	-	10,500
134	1982 Double Diaphragm Pump	4,235	-	-	4,235
137	Trailer	300	-	-	300
137A	1997 Sicard Model 2200M Snowblower	61,740	-	-	61,740
140	Wacker Hydrostatic Vibratory Roller	21,147	-	-	21,147
141	Cutquick Concrete Saw	680	-	-	680
142	Plate Type Vibratory Compactor	6,225	-	-	6,225
148	Chrysler 4" Trash Pump	200	-	-	200
149	1990 Lely Material Spreader	3,167	-	-	3,167
150	Paving Forms	1,136	-	-	1,136
151	Material Spreader	5,978	-	-	5,978
155	Hiniker Model 10 Spreader	4,420	-	-	4,420
158	Plate Type Vibratory Compactor	1,792	-	-	1,792
159	8 Cubic Foot Mortar Mixer	2,287	-	-	2,287
160	1984 Stone Mortar Mixer	1,340	-	-	1,340
161	Lamborghini 4" Trash Pump	7,280	-	-	7,280
162	1999 Lowboy Semi-Trailer	21,458	-	-	21,458
164	2000 John Deere 200LC Excavator	139,375	-	-	139,375
165	1992 Trackless 168" Rotary Mower	5,678	-	-	5,678
166	Tandem 6' x 14' Trailer	1,525	-	-	1,525
	Balance carried forward	\$ 3,191,476	\$ 103,134	\$ 14,256	\$ 3,280,354

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE AND EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2004

Unit Number	Description	Balance 06/30/03	Additions	Retirements	Balance 06/30/04
	Balance brought forward	\$ 3,191,476	\$ 103,134	\$ 14,256	\$ 3,280,354
170	Excavation Shoring System	24,678	-	-	24,678
170A	1956 Hi-Way Pole Trailer	1,076	-	-	1,076
172	1999 Dodge Intrepid 4 Door	19,071	-	-	19,071
173	1993 Chevrolet Lumina 4 Door	14,100	-	-	14,100
174	1998 Dodge Minivan	17,002	-	-	17,002
176	Weed Harvester	29,153	-	-	29,153
177	John Deere F925 Front Mount Mower	12,111	-	-	12,111
178	20 HP Cub Cadet Mower	4,177	-	-	4,177
179	2001 Ford F-250 Pickup	26,041	-	-	26,041
180	2003 Chevrolet 3/4 Ton Pickup with Plow	21,954	-	-	21,954
185	Patching Trailer	966	-	-	966
190	1997 Jeep Cherokee	21,488	-	-	21,488
192	1998 Ford Crown Victoria Squad Car	21,121	-	21,121	-
193	1998 Ford Crown Victoria Squad Car	21,122	-	21,122	-
194	1998 Ford Crown Victoria Squad Car	21,122	-	-	21,122
195	1998 Ford Crown Victoria Squad Car	21,121	-	-	21,121
200	1993 Chevy Lumina	7,263	-	-	7,263
202	1973 Dodge Power Wagon	7,419	-	-	7,419
203	1986 Chevrolet 5/4 Ton 4x4 Grass Truck	-	3,323	-	3,323
204	1992 Pierce Pumper Truck	179,674	-	-	179,674
205	1983 FMC Fire Truck	233,833	-	-	233,833
217	1996 Crown Victoria	19,102	-	19,102	-
218	1996 Crown Victoria	19,102	-	19,102	-
219	1996 Crown Victoria	19,102	-	19,102	-
220	2000 Chevrolet Malibu	14,748	-	-	14,748
221	2000 Chevrolet Malibu	14,749	-	-	14,749
222	2001 Chevrolet Impala	20,164	-	-	20,164
223	2001 Chevrolet Impala	20,164	-	-	20,164
224	2001 Chevrolet Impala	20,163	-	20,163	-
225	2001 Chevrolet Tahoe	27,852	-	-	27,852
226	2003 Chevrolet Impala	20,765	-	-	20,765
227	2003 Chevrolet Impala	20,766	-	-	20,766
228	2004 Chevrolet Impala	-	21,594	-	21,594
229	2004 Chevrolet Impala	-	21,594	-	21,594
230	2004 Chevrolet Impala	-	21,594	-	21,594
345	Snow Body Insert	7,190	-	-	7,190
346	Snow Body Insert	7,415	-	-	7,415
347	Snow Body Insert	7,415	-	-	7,415
348	Snow Body Insert	7,415	-	-	7,415
349	Snow Body Insert	7,415	-	-	7,415
555	Underground Pipe TV inspection system	52,629	-	-	52,629
	Communications System	302,588	1,394	55,127	248,855
	Total Rental Units	\$ 4,504,712	\$ 172,633	\$ 189,095	\$ 4,488,250
	Non-rental Units				
	Miller Welder w/Auto Feed	\$ 2,720	\$ -	\$ -	\$ 2,720
	Sun Auto Analyzer	7,020	-	-	7,020
	Sioux Steamer/Washer	6,438	-	-	6,438
	Torch	100	-	-	100
	Air Wrench	125	-	-	125
	Two-Ton Floor Jack	170	-	-	170
	Chain Ratchet	264	-	-	264
	Racks	143	-	-	143
	Sander	94	-	-	94
	Balance carried forward	\$ 17,074	\$ -	\$ -	\$ 17,074

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE AND EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2004

Unit Number	Description	Balance 06/30/03	Additions	Retirements	Balance 06/30/04
	Balance brought forward	\$ 17,074	\$ -	\$ -	\$ 17,074
	Lights	543	-	-	543
	Grainger Battery Tester	123	-	-	123
	Schonstedt G.A. 528 Locator	585	-	-	585
	Air Hammer, Ratchet	129	-	-	129
	Spray Gun	244	-	-	244
	Brake Bleeding Tool	125	-	-	125
	Stud Gun	112	-	-	112
	7" Sander	160	-	-	160
	Miller Douzall	156	-	-	156
	Wood Surfacar	250	-	-	250
	Gas Tanks	37,829	-	-	37,829
	Stigers 16' Tandem Trailer	1,365	-	-	1,365
	Gasoline Tank Installation	9,068	-	-	9,068
	Air Compressor	2,009	-	-	2,009
	Crow's Feet	175	-	-	175
	Weather Master	435	-	-	435
	Transmission Repair Kit	441	-	-	441
	Electronic Tachometer	255	-	-	255
	Air Wrench	369	-	-	369
	Milwaukee 9" Sander	149	-	-	149
	Fleet Maintenance Software	3,390	-	-	3,390
	Softek 386 Computer	2,090	-	-	2,090
	3 Tap and Die sets	552	-	-	552
	Ford Basic Scan system	879	-	-	879
	Millermatic 250 welder	1,425	-	-	1,425
	Gasboy 1000 Interface	750	-	-	750
	Floor Jack	2,060	-	-	2,060
	Tool & Die Set	373	-	-	373
	Tire Changer	2,999	-	-	2,999
	3 Magitronic Pentium 200 MGHZ Computers	794	-	-	794
	One-Third of the Softek Network Server	1,831	-	-	1,831
	Bluestar 6000 Welder	2,057	-	-	2,057
	Purox Trademaster	525	-	-	525
	2 Submersible Pumps	1,441	-	-	1,441
	Transmission Jack	342	-	-	342
	Fleet Software	1,495	-	-	1,495
	Printers/3 17" Monitors	1,485	-	-	1,485
	12 Volt Fuel Pump	254	-	-	254
	3/4" Impact Wrench	375	-	-	375
	MCR 500 Digital Battery Electric System	665	-	-	665
	3 AMD XP 1600 1.4 GHZ Computers	2,408	-	-	2,408
	10 Ton Hydraulic Porta-Power	250	-	-	250
	Fuel Injector Repair Kit	378	-	-	378
	Scanning Unit Plug-In	-	592	-	592
	Total Non-rental Units	100,414	592	-	101,006
	TOTALS	\$ 4,605,126	\$ 173,225	\$ 189,095	\$ 4,589,256

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 111,853	\$ 134,614
Receivables:		
Accrued interest	<u>1,333</u>	<u>1,879</u>
Total current assets	<u>113,186</u>	<u>136,493</u>
Property, plant and equipment:		
Property, plant and equipment	279,081	214,051
Less accumulated depreciation	<u>(153,435)</u>	<u>(145,912)</u>
Net property, plant and equipment	<u>125,646</u>	<u>68,139</u>
TOTAL ASSETS	<u>\$ 238,832</u>	<u>\$ 204,632</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	<u>\$ 31,700</u>	<u>\$ (232)</u>
NET ASSETS:		
Invested in capital assets, net of related debt	125,646	68,139
Unrestricted	<u>81,486</u>	<u>136,725</u>
TOTAL NET ASSETS	<u>207,132</u>	<u>204,864</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 238,832</u>	<u>\$ 204,632</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Equipment rental	<u>\$ 51,133</u>	<u>\$ 47,577</u>
OPERATING EXPENSES:		
General government:		
Equipment maintenance	23,115	23,604
Provision for depreciation	<u>27,354</u>	<u>23,146</u>
TOTAL OPERATING EXPENSES	<u>50,469</u>	<u>46,750</u>
OPERATING INCOME	<u>664</u>	<u>827</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(3,803)	1,620
Gain (loss) on sale of equipment	(10)	(2,292)
Interest earnings	<u>5,417</u>	<u>6,371</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,604</u>	<u>5,699</u>
CHANGE IN NET ASSETS	2,268	6,526
Net assets, beginning of year	<u>204,864</u>	<u>198,338</u>
NET ASSETS, END OF YEAR	<u>\$ 207,132</u>	<u>\$ 204,864</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2004

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/04</u>
Network system	\$ 39,103	\$ 12,428	\$ 435	\$ 51,096
Controller	16,193	-	1,787	14,406
Engineer	16,020	657	-	16,677
Clerk	28,440	-	894	27,546
Personnel	4,631	656	-	5,287
City Manager	2,987	873	-	3,860
Treasurer/Utility	37,729	68,590	16,728	89,591
Bay Computer - Shared Equipment	17,511	996	-	18,507
Assessor	5,673	-	-	5,673
Recreation	499	-	-	499
Library	4,028	-	-	4,028
LAN Administration	7,081	674	-	7,755
Public Safety	<u>34,156</u>	<u>-</u>	<u>-</u>	<u>34,156</u>
TOTALS	<u>\$ 214,051</u>	<u>\$ 84,874</u>	<u>\$ 19,844</u>	<u>\$ 279,081</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
RISK RETENTION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 77,386	\$ 1,777
Receivables:		
Accrued interest	815	756
Prepaid expenses	<u>16,780</u>	<u>100,549</u>
TOTAL ASSETS	<u>\$ 94,981</u>	<u>\$ 103,082</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ -	\$ 825
Claims payable	4,000	26,000
Due to other funds	<u>-</u>	<u>25,470</u>
TOTAL LIABILITIES	<u>4,000</u>	<u>52,295</u>
NET ASSETS:		
Unrestricted	<u>90,981</u>	<u>50,787</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 94,981</u>	<u>\$ 103,082</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**RISK RETENTION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Provision for self insurance	\$ 188,752	\$ 173,763
OPERATING EXPENSES:		
General government:		
Insurance premiums	154,646	139,088
Administrative costs	250	200
Claims paid	<u>(3,592)</u>	<u>9,114</u>
TOTAL OPERATING EXPENSES	<u>151,304</u>	<u>148,402</u>
OPERATING INCOME	<u>37,448</u>	<u>25,361</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(1,260)	988
Interest earnings	<u>4,006</u>	<u>3,534</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,746</u>	<u>4,522</u>
CHANGE IN NET ASSETS	40,194	29,883
Net assets, beginning of year	<u>50,787</u>	<u>20,904</u>
NET ASSETS, END OF YEAR	<u>\$ 90,981</u>	<u>\$ 50,787</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
DENTAL FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 50,275	\$ 75,073
Receivables:		
Accrued interest	579	919
Prepaid expenses	409	404
Cash on deposit	<u>6,000</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 57,263</u>	<u>\$ 82,396</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 26,970</u>	<u>\$ 19,664</u>
NET ASSETS:		
Unrestricted	<u>30,293</u>	<u>62,732</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,263</u>	<u>\$ 82,396</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DENTAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
City's contribution for employees	<u>\$ 89,494</u>	<u>\$ 90,692</u>
OPERATING EXPENSES:		
General government:		
Dental benefits	117,410	77,839
Professional services	<u>5,158</u>	<u>11,667</u>
TOTAL OPERATING EXPENSES	<u>122,568</u>	<u>89,506</u>
OPERATING INCOME (LOSS)	<u>(33,074)</u>	<u>1,186</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(1,772)	331
Interest earnings	<u>2,407</u>	<u>3,120</u>
TOTAL NON-OPERATING REVENUES	<u>635</u>	<u>3,451</u>
CHANGE IN NET ASSETS	<u>(32,439)</u>	<u>4,637</u>
Net assets, beginning of year	<u>62,732</u>	<u>58,095</u>
NET ASSETS, END OF YEAR	<u>\$ 30,293</u>	<u>\$ 62,732</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	June 30	
	2004	2003
ASSETS:		
Current assets:		
Investments, at market	\$ -	\$ 17,289
Receivables	54,019	-
Prepaid expenses	99,609	88,239
Cash on deposit	19,375	19,375
TOTAL ASSETS	<u>\$ 173,003</u>	<u>\$ 124,903</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 63,396	\$ 77,214
Due to other funds	34,960	-
TOTAL LIABILITIES	<u>98,356</u>	<u>77,214</u>
NET ASSETS:		
Unrestricted	<u>74,647</u>	<u>47,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 173,003</u>	<u>\$ 124,903</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Retiree contributions	\$ 102,484	\$ 107,191
Cobra contributions	46,282	37,383
City's contribution for employees	1,028,444	978,858
Employee insurance co-pay	<u>4,350</u>	<u>1,840</u>
TOTAL OPERATING REVENUES	<u>1,181,560</u>	<u>1,125,272</u>
OPERATING EXPENSES:		
General government:		
Life & hospital insurance	(996)	898
Insurance premiums	919,792	889,465
Administrative costs	35,199	39,188
Rebates	-	1,215
Claims paid	200,107	179,752
Professional services	<u>500</u>	<u>300</u>
TOTAL OPERATING EXPENSES	<u>1,154,602</u>	<u>1,110,818</u>
OPERATING INCOME	26,958	14,454
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	<u>-</u>	<u>(3)</u>
CHANGE IN NET ASSETS	26,958	14,451
Net assets, beginning of year	<u>47,689</u>	<u>33,238</u>
NET ASSETS, END OF YEAR	<u>\$ 74,647</u>	<u>\$ 47,689</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 1,269,346	\$ 1,482,387
Receivables:		
Accrued interest	<u>14,731</u>	<u>21,811</u>
TOTAL ASSETS	<u>\$ 1,284,077</u>	<u>\$ 1,504,198</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 17,155	\$ 6,049
Claims payable	<u>325,000</u>	<u>350,000</u>
TOTAL LIABILITIES	<u>342,155</u>	<u>356,049</u>
NET ASSETS:		
Unrestricted	<u>941,922</u>	<u>1,148,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,284,077</u>	<u>\$ 1,504,198</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Travel expenses	423	-
Benefits	202,218	196,297
Professional services	13,286	10,345
Insurance & bonds	544	1,806
Miscellaneous	<u>3,274</u>	<u>2,417</u>
TOTAL OPERATING EXPENSES	<u>219,745</u>	<u>210,865</u>
OPERATING INCOME (LOSS)	<u>(219,745)</u>	<u>(210,865)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(45,028)	5,936
Interest earnings	<u>58,546</u>	<u>74,122</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>13,518</u>	<u>80,058</u>
CHANGE IN NET ASSETS	<u>(206,227)</u>	<u>(130,807)</u>
Net assets, beginning of year	<u>1,148,149</u>	<u>1,278,956</u>
NET ASSETS, END OF YEAR	<u>\$ 941,922</u>	<u>\$ 1,148,149</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
UNEMPLOYMENT COMPENSATION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 405,726	\$ 407,382
Receivables:		
Accrued interest	<u>4,441</u>	<u>5,852</u>
	\$ <u>410,167</u>	\$ <u>413,234</u>
TOTAL ASSETS		
LIABILITIES:		
Current liabilities:		
Claims payable	\$ <u>3,066</u>	\$ <u>7,529</u>
NET ASSETS:		
Unrestricted	<u>407,101</u>	<u>405,705</u>
	\$ <u>410,167</u>	\$ <u>413,234</u>
TOTAL LIABILITIES AND NET ASSETS		

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UNEMPLOYMENT COMPENSATION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Professional services	200	200
Unemployment compensation	<u>3,644</u>	<u>25,956</u>
TOTAL OPERATING EXPENSES	<u>3,844</u>	<u>26,156</u>
OPERATING INCOME (LOSS)	<u>(3,844)</u>	<u>(26,156)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(12,004)	3,231
Interest earnings	<u>17,244</u>	<u>20,141</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,240</u>	<u>23,372</u>
CHANGE IN NET ASSETS	1,396	(2,784)
Net assets, beginning of year	<u>405,705</u>	<u>408,489</u>
NET ASSETS, END OF YEAR	<u>\$ 407,101</u>	<u>\$ 405,705</u>

See accompanying notes to financial statements.

PERMANENT FUND

CITY OF ESCANABA, MICHIGAN

GAS RETIREMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2004 and 2003

	June 30	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 1,192,527	\$ 1,225,615
Receivables:		
Accrued interest	<u>13,565</u>	<u>17,985</u>
TOTAL ASSETS	<u>\$ 1,206,092</u>	<u>\$ 1,243,600</u>
FUND BALANCES:		
Reserved for:		
Principal	\$ 989,349	\$ 989,349
Capital improvements	<u>216,743</u>	<u>254,251</u>
TOTAL FUND BALANCES	<u>\$ 1,206,092</u>	<u>\$ 1,243,600</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GAS RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
REVENUES:		
Interest and dividends	\$ <u>52,320</u>	\$ <u>60,397</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	(35,869)	9,702
Operating transfers out:		
Local Street Fund	<u>(53,959)</u>	<u>(48,920)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(89,828)</u>	<u>(39,218)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (OTHER FINANCING USES)	(37,508)	21,179
Fund balance, beginning of year	<u>1,243,600</u>	<u>1,222,421</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,206,092</u>	<u>\$ 1,243,600</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

CITY OF ESCANABA, MICHIGAN
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004 and 2003

	Catherine Bonifas Trust Fund	Economic Development Corporation Fund	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
ASSETS:				
Investments, at market	\$ 108,750	\$ -	\$ 108,750	\$ 121,422
Receivables:				
Accrued interest	<u>1,179</u>	<u>-</u>	<u>1,179</u>	<u>1,709</u>
TOTAL ASSETS	<u>\$ 109,929</u>	<u>\$ -</u>	<u>\$ 109,929</u>	<u>\$ 123,131</u>
NET ASSETS:				
Reserved for:				
Bonifas Trust Fund	\$ 109,929	\$ -	\$ 109,929	\$ 108,339
Unreserved:				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,792</u>
TOTAL NET ASSETS	<u>\$ 109,929</u>	<u>\$ -</u>	<u>\$ 109,929</u>	<u>\$ 123,131</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2004 and 2003

	Catherine Bonifas Trust Fund	Economic Development Corporation Fund	<u>Totals</u>	
			2004	2003
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 4,566	\$ 149	\$ 4,715	\$ 5,770
EXPENDITURES:				
Economic development	-	-	-	500
EXCESS REVENUES	<u>4,566</u>	<u>149</u>	<u>4,715</u>	<u>5,270</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	(2,976)	-	(2,976)	1,080
Operating transfers out	-	(14,941)	(14,941)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,976)</u>	<u>(14,941)</u>	<u>(17,917)</u>	<u>1,080</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	1,590	(14,792)	(13,202)	6,350
Net assets, beginning of year	<u>108,339</u>	<u>14,792</u>	<u>123,131</u>	<u>116,781</u>
NET ASSETS, END OF YEAR	<u>\$ 109,929</u>	<u>\$ -</u>	<u>\$ 109,929</u>	<u>\$ 123,131</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
CATHERINE BONIFAS TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ 108,750	\$ 106,837
Receivables:		
Accrued interest	<u>1,179</u>	<u>1,502</u>
TOTAL ASSETS	<u>\$ 109,929</u>	<u>\$ 108,339</u>
FUND EQUITY:		
Reserved for:		
Bonifas Trust Fund	<u>\$ 109,929</u>	<u>\$ 108,339</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CATHERINE BONIFAS TRUST FUND
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ <u>4,566</u>	\$ <u>5,065</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	<u>(2,976)</u>	<u>960</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	1,590	6,025
Net assets, beginning of year	<u>108,339</u>	<u>102,314</u>
NET ASSETS, END OF YEAR	<u>\$ <u>109,929</u></u>	<u>\$ <u>108,339</u></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
ECONOMIC DEVELOPMENT CORPORATION FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Investments, at market	\$ -	\$ 14,585
Receivables:		
Accrued interest	-	207
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 14,792</u>
NET ASSETS:		
Unreserved:		
Undesignated	<u>\$ -</u>	<u>\$ 14,792</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ECONOMIC DEVELOPMENT CORPORATION FUND
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ <u>149</u>	\$ <u>705</u>
EXPENDITURES:		
Economic development:		
Professional services	<u>-</u>	<u>500</u>
EXCESS REVENUES (EXPENDITURES)	<u>149</u>	<u>205</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	-	120
Operating transfers out:		
General Fund	<u>(14,941)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,941)</u>	<u>120</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(14,792)	325
Net assets, beginning of year	<u>14,792</u>	<u>14,467</u>
NET ASSETS, END OF YEAR	\$ <u><u>-</u></u>	\$ <u><u>14,792</u></u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
PUBLIC SAFETY RETIREMENT FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash and equivalents		
Investments, at market	\$ 865	\$ 1,167
Due from other funds:	16,883,975	15,666,688
General Fund	453	-
TOTAL ASSETS	<u>\$ 16,885,293</u>	<u>\$ 15,667,855</u>
LIABILITIES:		
Accounts payable	\$ 803	\$ -
NET ASSETS:		
Reserved for:		
Employees' retirement system	16,884,490	15,667,855
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,885,293</u>	<u>\$ 15,667,855</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
PUBLIC SAFETY RETIREMENT FUND
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Interest and dividends	\$ 562,304	\$ 568,684
Gain (loss) on sale of investments	1,330,538	349,500
Contributions:		
City of Escanaba	219,191	123,488
Employees	<u>108,960</u>	<u>90,071</u>
TOTAL OPERATING REVENUES	<u>2,220,993</u>	<u>1,131,743</u>
OPERATING EXPENSES:		
Administrative and general:		
Trustee fees	-	5,600
Miscellaneous	2,326	2,547
Benefits paid and refunds of member contributions	<u>1,002,032</u>	<u>964,302</u>
TOTAL OPERATING EXPENSES	<u>1,004,358</u>	<u>972,449</u>
OPERATING INCOME	1,216,635	159,294
Net assets, beginning of year	<u>15,667,855</u>	<u>15,508,561</u>
NET ASSETS, END OF YEAR	<u>\$ 16,884,490</u>	<u>\$ 15,667,855</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
TAX COLLECTION FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2004

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
ASSETS:				
Cash and equivalents	\$ 27,337	\$ 10,135,518	\$ 10,149,341	\$ 13,514
Receivables:				
Special assessments		261,323	261,323	
Taxes	-	10,551,539	10,551,539	-
TOTAL ASSETS	<u>\$ 27,337</u>	<u>\$ 20,948,380</u>	<u>\$ 20,962,203</u>	<u>\$ 13,514</u>
LIABILITIES:				
Due to other governments	<u>\$ 27,337</u>	<u>\$ 31,656,985</u>	<u>\$ 31,670,808</u>	<u>\$ 13,514</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

TAX COLLECTION FUND
SCHEDULE OF COLLECTIONS FOR AND REMITTANCES TO OTHER GOVERNMENTAL UNITS

For the year ended June 30, 2004

	<u>Intermediate School District</u>	<u>County of Delta</u>	<u>Escanaba Area Public Schools</u>	<u>Bay de Noc Community College</u>	<u>State Tax Commission</u>	<u>Community Action Agency</u>
Balance, July 1, 2003	\$ 957	\$ 5,233	\$ 7,562	\$ 1,294	\$ -	\$ 220
Collections:						
Interest earnings on investments	384	1,597	1,844	534	-	84
Taxes levied for 2003	534,309	2,169,238	2,706,016	737,047	-	124,362
Delinquent tax collections	2,823	9,788	29,581	3,943	-	847
Trailer tax collections	-	11,833	-	-	-	-
Industrial facilities tax collection	906	33,519	20,459	23,026	188,491	3,885
Total collections	538,422	2,225,975	2,757,900	764,550	188,491	129,178
Remittances:						
Delinquent taxes returned to County Treasurer	31,309	123,505	232,538	40,870	-	8,087
Delinquent personal property taxes	3,511	14,453	33,307	4,965	-	918
Remittances to governmental units	504,053	2,090,139	2,493,959	719,286	188,491	120,231
Total remittances	538,873	2,228,097	2,759,804	765,121	188,491	129,236
Balance, June 30, 2004	\$ 506	\$ 3,111	\$ 5,658	\$ 723	\$ -	\$ 162

See accompanying notes to financial statements.

<u>Downtown Development Authority</u>	<u>City of Escanaba</u>	<u>Brownfield</u>	<u>Delta County Sheriff Department</u>	<u>Total</u>
\$ 75	\$ 11,681	\$ -	\$ 315	\$ 27,337
158	2,845	3	126	7,575
229,715	3,650,741	3,971	186,601	10,342,000
210	18,130	-	1,269	66,591
-	2,367	-	-	14,200
-	113,866	-	5,829	389,981
<u>230,083</u>	<u>3,787,949</u>	<u>3,974</u>	<u>193,825</u>	<u>10,820,347</u>
30,713	172,728	-	12,135	651,885
601	23,401	-	1,378	82,534
198,844	3,600,391	3,974	180,383	10,099,751
<u>230,158</u>	<u>3,796,520</u>	<u>3,974</u>	<u>193,896</u>	<u>10,834,170</u>
<u>\$ -</u>	<u>\$ 3,110</u>	<u>\$ -</u>	<u>\$ 244</u>	<u>\$ 13,514</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS FIXED ASSET LISTING

CITY OF ESCANABA, MICHIGAN

**GOVERNMENTAL FUNDS FIXED ASSET LISTING
SCHEDULE OF CHANGES IN FIXED ASSETS**

For the year ended June 30, 2004

	Balance 06/30/03	Additions	Retirements and other Deductions	Balance 06/30/04
LAND AND IMPROVEMENTS:				
Land	\$ 316,518	\$ 1,662	\$ 75,202	\$ 242,978
Farmer's Market	5,734	-	-	5,734
Mulching/Composting	12,418	-	-	12,418
Walch Estate Property	62,861	-	-	62,861
Allsworth Property	38,153	-	-	38,153
Advertising Signs	9,674	-	-	9,674
Bike Paths	612,865	-	-	612,865
North Shore Boat Launch	293,057	1,276,952	-	1,570,009
Marina/Harbor	997,909	-	-	997,909
Ness Field Improvements	84,885	-	-	84,885
Parks and Playgrounds	239,653	-	-	239,653
Waterfront Development	1,333,849	-	-	1,333,849
BUILDINGS:				
Beach House	275,191	-	-	275,191
Historical Building	55,556	-	-	55,556
Band Shell	173,345	-	-	173,345
DDA Center Court	217,585	-	-	217,585
Catherine Bonifas Civic Center	845,946	-	-	845,946
Public Safety Building	865,186	4,238	-	869,424
Webster Park Shelter House	94,594	-	-	94,594
Ludington Park Restroom	112,443	8,943	-	121,386
Royce Park Shelter	47,041	-	-	47,041
PARKING LOTS:				
1st Avenue North between 12th and 13th streets	17,446	-	-	17,446
West side of North 10th 100 block	1,702	-	-	1,702
Behind Daily Press	13,623	-	-	13,623
West of PSE Credit Union	33,408	-	-	33,408
East of PSE Credit Union	21,564	-	-	21,564
West End of Ludington	200,593	-	-	200,593
Lakestate Parking Lot	48,981	-	-	48,981
1st Avenue South at 8th Street	18,814	-	-	18,814
INDUSTRIAL LAND AND BUILDINGS:				
Inmanco Building - 1608 3rd Avenue North	16,913	-	-	16,913
EQUIPMENT:				
Library	152,916	18,710	32,447	139,179
Public Safety Department	689,849	238,221	165,080	762,990
Street and Sewer	29,845	-	9,283	20,562
Parks and Recreation	322,675	-	-	322,675
Band	15,558	-	-	15,558
Stock Room	19,525	-	13,047	6,478
Downtown Development	18,105	-	-	18,105
City Hall	338,555	-	-	338,555
OTHER:				
Infrastructure	13,144,377	1,128,464	345,727	13,927,114
Escanaba Building Authority	7,390,019	567	14,917	7,375,669
Motor Vehicle and Equipment Fund	4,605,126	173,224	189,094	4,589,256
Office Equipment Fund	214,051	84,874	19,844	279,081
TOTAL GOVERNMENTAL FUNDS FIXED ASSETS	<u>\$34,008,108</u>	<u>\$ 2,935,855</u>	<u>\$ 864,641</u>	<u>\$36,079,322</u>

See accompanying notes to financial statements.

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members
of the City Council
City of Escanaba
Escanaba, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City of Escanaba, Michigan's basic financial statements and have issued our report thereon dated October 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Escanaba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City of Escanaba, Michigan, in a separate letter dated October 13, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Escanaba's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Honorable Mayor and Members
of the City Council
City of Escanaba
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Escanaba, Michigan, in a separate letter dated October 13, 2004.

This report is intended solely for the information and use of the management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Andersen, Tackman & Company P.C.
Certified Public Accountants

October 13, 2004



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members
of the City Council
City of Escanaba
Escanaba, Michigan

Compliance

We have audited the compliance of the City of Escanaba, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Escanaba's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Escanaba's management. Our responsibility is to express an opinion on the City of Escanaba's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Escanaba's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Escanaba's compliance with those requirements.

In our opinion, the City of Escanaba complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Honorable Mayor and Members
of the City Council
City of Escanaba
Page 2

Internal Control Over Compliance

The management of the City of Escanaba is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Escanaba's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

1

October 13, 2004

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2004

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Grantor's or Program Number</u>	<u>CFDA</u>	<u>Grant Awarded in Current Year</u>	<u>Federal Ex- penditures in Current Year</u>
MAJOR PROGRAM:				
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed through MDEQ:				
Drinking Water Revolving Fund Loan	700901	66.468	\$ 347,260	\$ 347,260
NON-MAJOR PROGRAMS:				
<u>FEDERAL EMERGENCY</u>				
<u>MANAGEMENT AGENCY</u>				
Passed through Michigan				
State Police:				
EMPG Program	-	83.552	19,404	19,404
<u>DEPARTMENT OF JUSTICE</u>				
Direct Assistance:				
Bureau of Justice Assistance:				
Bulletproof Vest Program	-	16.607	2,000	2,000
Passed through Michigan				
State Police:				
U.P.S.E.T	70768-6K02	16.579	11,873	11,873
	70768-7-03-B	16.579	28,530	28,530
Passed through Grand Valley State				
University:				
PSN Grant	-	16.609	43,401	43,401
Total Department of Justice				
			85,804	85,804
<u>INSTITUTE ON MUSEUM & LIBRARY SERVICES</u>				
Library Services and Technology Grant	-	45.310	13,175	13,175
<u>DEPARTMENT OF TRANSPORTATION</u>				
Passed through the State Department				
of Transportation:				
Traffic Controllers Grant	-	20.205	34,175	34,175
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through the State of Michigan:				
State Homeland Security Grant Program	-	97.004	75,247	75,247
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 575,065	\$ 575,065

CITY OF ESCANABA, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2004

NOTE A - OVERSIGHT AGENCY

The Department of Justice is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's direct federal financial assistance.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - PASS-THROUGH GRANTOR'S OF PROGRAM NUMBER

The Pass-Through Grantor's Number represents the City's provider I.D. number.

NOTE D - FEDERAL REVENUE RECONCILIATION

Because the Drinking Water Revolving Fund Loan Program is shown as bonds payable in the Water Utility Fund and because the financial statements show federal revenue for the Willow Creek Project that was administered by the Michigan Department of Transportation the total revenue as reported in the financial statements does not match the Schedule of Expenditures of Federal Awards. A reconciliation is as follows:

Total Federal Revenue as reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 602,805
Drinking Water Revolving Fund Loan	347,260
Willow Creek Project - MDOT	<u>(375,000)</u>
Total Federal Revenue as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 575,065</u>

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2004

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Escanaba, Michigan.
2. Reportable instances of noncompliance disclosed during the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and are detailed in Section II of this schedule.
3. No instances of noncompliance material to the financial statements of the City of Escanaba, Michigan were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of Escanaba, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Escanaba, Michigan.
7. The program tested as the major program was:

 Environmental Protection Agency:
 Drinking Water Revolving Fund Loan - CFDA #66.468
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Escanaba, Michigan was determined to be a low-risk auditee.

CITY OF ESCANABA, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 04-1 - BUDGET NONCOMPLIANCE

Criteria - Public Act 621 of 1978, Section 18, (1) as amended, requires that a city shall not incur expenditures in excess of the amount appropriated.

Condition - During the year the City was overexpended in the following functions of the General Fund:

LAN Administrator	\$ 10,866
Rental Property	4
Boat Launches	223
Band	570

The following Special Revenue Fund was overspent:

Drug Law Enforcement Fund	\$ 2,287
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Context - Isolated.

Effect - The City is not in compliance with the State law.

Cause - Failure to amend the above mentioned budgets during the year to match the spending level.

Recommendation - The City should continue to monitor the budget as to comply completely with the Michigan Uniform Budgeting and Accounting Act.

Management's response - The City has in place a number of controls in an effort to prevent any over expenditures; in general, this system is effective. However, because the final budget amendment is based upon financial statements which do not include the last several months of the fiscal year, small over expenditures can happen.

CITY OF ESCANABA, MICHIGAN

**RESOLUTION OF PRIOR YEARS FINDINGS
AND QUESTIONED COSTS**

For the year ended June 30, 2004

FINDING 03-1 - BUDGET NONCOMPLIANCE

Criteria - Public Act 621 of 1978, Section 18, (1) as amended, requires that a city shall not incur expenditures in excess of the amount appropriated.

Condition - During the year the City was overexpended in the following functions of the General Fund:

Promotional	\$	1,532
Community Preservation		2,019
Crossing Guards		189

The following Special Revenue Fund was overspent:

Sanitary Landfill Fund	\$	579
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Context - Isolated

Effect - The City is not in compliance with the State law.

Cause - Failure to amend the above mentioned budgets during the year to match the spending level.

Recommendation - The City should continue to monitor the budget as to comply completely with the Michigan Uniform Budgeting and Accounting Act.

Current Status - The current year's finding is addressed under Finding 04-1 in this section.

STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION

CITY OF ESCANABA, MICHIGAN

Table 1
(unaudited)GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION¹

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health and Welfare</u>	<u>Culture and Recreation</u>	<u>Miscellaneous</u>	<u>Transfers to Other Funds</u>	<u>Total</u>
1995	\$ 834,348	\$2,671,959	\$1,682,777	\$ 510,552	\$ 9,148	\$ 769,150	\$ 37,086	\$ 22,747	\$6,537,767
1996	956,109	2,635,139	1,579,779	532,461	9,148	800,732	34,772	15,112	6,563,252
1997	1,045,906	2,694,749	1,899,937	627,886	9,148	845,313	34,006	13,485	7,170,430
1998	1,010,397	2,794,075	1,947,804	683,344	9,148	935,269	33,819	14,310	7,428,166
1999	1,061,381	2,911,538	1,721,384	703,428	9,148	1,043,272	34,245	118,498	7,602,894
2000	1,110,212	2,949,850	1,982,377	761,951	9,148	1,103,326	938	31,502	7,949,304
2001	1,188,045	3,112,803	3,090,262	737,605	9,148	1,210,795	1,123	55,564	9,405,345
2002	1,258,077	3,476,223	2,362,603	810,316	9,148	1,222,291	1,719	133,598	9,273,976
2003	1,271,488	3,352,685	1,690,300	779,437	9,148	1,205,011	158	20,408	8,328,635
2004	1,249,423	3,523,272	2,552,218	789,040	9,148	1,158,753	0	31,274	9,313,128

¹Includes General, Major Street, Local Street and Library Funds.

CITY OF ESCANABA, MICHIGAN

Table 2
(unaudited)GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE¹

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-gov- ernmental Revenue</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Other Funds</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$2,654,336	\$ 13,611	\$2,441,485	\$ 490,735	\$ 32,854	\$ 550,000	\$ 274,296	\$ 6,457,317
1996	2,677,796	15,511	2,437,010	489,348	37,399	610,000	328,255	6,595,319
1997	2,800,577	13,508	2,483,922	576,206	43,027	907,000	292,967	7,117,207
1998	3,007,015	14,560	2,974,291	519,212	68,145	710,287	393,926	7,687,436
1999	3,137,852	14,153	2,854,459	552,020	69,866	830,165	330,276	7,788,791
2000	3,295,130	16,288	3,249,943	529,159	76,079	780,000	313,628	8,260,227
2001	3,351,111	11,706	3,672,522	641,331	74,396	1,245,781	461,824	9,458,671
2002	3,522,775	1,523	3,507,227	629,821	49,844	905,962	349,053	8,966,205
2003	3,657,846	1,460	2,982,213	607,504	41,677	900,981	342,645	8,534,326
2004	3,725,194	1,217	3,500,054	627,839	56,288	1,194,019	373,582	9,478,193

¹Includes General, Major Street, Local Street and Library Funds.

REAL AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1995*	\$2,514,744	\$ 2,501,252	99.46	\$ 21,835	\$ 2,523,087	100.33	\$ 28,625	1.14
1996*	2,577,125	2,510,991	97.43	15,684	2,526,675	98.04	24,009	.93
1997*	2,708,167	2,686,058	99.18	11,213	2,697,271	99.60	19,917	.74
1998*	2,850,682	2,822,696	99.02	28,067	2,850,763	100.00	43,288	1.52
1999*	2,978,829	2,901,553	97.41	22,018	2,923,571	98.14	30,667	1.03
2000*	3,146,251	3,120,373	99.18	24,040	3,144,413	99.94	28,873	.92
2001*	3,238,742	3,214,745	99.26	34,127	3,248,871	100.31	19,493	.60
2002*	3,403,742	3,376,759	99.21	23,863	3,400,622	99.91	22,634	.66
2003*	3,545,866	3,516,148	99.16	17,683	3,533,831	99.66	35,003	.99
2004*	3,629,103	3,605,702	99.36	18,885	3,624,587	99.88	37,741	1.04

*Beginning in the fiscal year ended June 30, 1982, Delta County formulated a tax revolving fund, whereby they purchase the uncollected balance of the current real property tax levy, which becomes delinquent on March 1. The County will retain the delinquent collections and interest as they are collected.

CITY OF ESCANABA, MICHIGAN

Table 4
(unaudited)TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY¹

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property		Personal Property		Total		Ratio of Total Taxable Value to Total Estimated Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
1995 ²	\$135,990,100	\$271,980,200	\$ 14,836,650	\$ 29,673,300	\$150,826,750	\$301,653,500	50.00
1996 ²	139,571,971	283,424,254	15,789,024	31,578,048	155,360,995	315,002,302	49.32
1997 ²	144,631,908	308,957,526	18,969,038	38,086,424	163,600,946	347,043,950	47.14
1998 ²	154,056,204	335,615,506	18,843,852	37,707,418	172,900,056	373,322,924	46.31
1999 ²	161,614,523	372,253,450	19,690,694	39,540,124	181,305,217	411,793,574	44.03
2000 ²	169,683,171	423,492,984	19,753,218	40,057,550	189,436,389	463,550,534	40.87
2001 ²	176,263,618	446,187,192	18,365,759	36,731,518	194,629,377	482,918,710	40.30
2002 ²	185,685,617	518,521,084	19,126,149	38,252,298	204,811,766	556,773,382	36.79
2003 ²	194,323,465	499,964,674	19,850,412	40,169,886	214,173,877	540,134,560	39.65
2004 ²	202,613,242	509,651,888	16,607,906	33,215,812	219,221,148	542,867,700	40.38

Source: City of Escanaba Assessor's Department

¹Taxable values are as of the December 31, prior to the beginning of the fiscal year.

²Beginning with the fiscal year ended 6/30/95, state law was changed to create an additional tax valuation, "taxable" value. Prior to this date, taxable value equaled assessed value. Due to statutory limits on taxable value, they no longer have to be equal. Taxable value is the valuation used to calculate tax bills.

CITY OF ESCANABA, MICHIGAN

Table 5
(unaudited)

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUE)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Escanaba	Delta County	Escanaba Area Public School	Delta- Schoolcraft Intermediate School District	Bay de Noc Community College	Pinecrest Debt	State ED ¹	Total
1995	17.00	6.5983 ²	1.4110	2.5124	2.3735	.45	6.00	36.3452 ³
1996	17.00	6.5983 ²	1.00	2.5124	3.2735	.45	6.00	36.8342 ³
1997	17.00	6.5983 ²	1.04	2.5124	3.3735	.45	6.00	36.9742 ³
1998	17.00	6.5983 ²	1.12	2.5117	3.3735	.45	6.00	37.0535 ³
1999	17.00	6.5983 ²	1.05	2.5117	3.3735	.45	6.00	36.9835 ³
2000	17.00	6.5607 ²	1.01	2.4917	3.36	.45	6.00	36.8724 ³
2001	17.00	6.6319 ²	1.05	2.4807	3.3585	-	6.00	36.5211 ³
2002	17.00	6.6112 ²	3.041	2.4695	3.3511	-	6.00	38.4728 ³
2003	17.00	6.6097 ²	3.02	2.4596	3.3506	-	6.00	38.4399 ³
2004	17.00	6.5719 ²	3.11	2.4192	3.50	-	6.00	38.6101

Source: City of Escanaba Assessor's Department

¹Beginning in the fiscal year ended 6/30/95, changes in state law resulted in major school financing reform. The overall effect was the reduction of local school millage rates, the establishment of the state education levy and an increase in the state sales tax.

²Beginning in the fiscal year ended 6/30/92, Delta County's tax rate includes extra voted millage for Sheriff's Patrol and Community Action Agency. For the fiscal year ended 6/30/04, these amounts were .8861 and .5906 respectively.

³The amounts for fiscal years ended 6/30/95 and later reflect the tax rate for owner occupied residential property. Other property types would see tax rates of up to 18 mills higher.

CITY OF ESCANABA, MICHIGAN

Table 6
(unaudited)

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004

2004 Taxable Valuation (as of December 31, 2003)		<u>\$228,148,940</u>
Debt limit - 10 percent of assessed value ¹		\$ 22,814,894
Amount of outstanding debt	\$ 8,888,503	
Less: Revenue bonds ^{2-d}	(4,331,000)	
Bonds issued to Abate Pollution ^{2-f}	<u>-</u>	
	<u>\$ 4,557,503</u>	<u>4,557,503</u>
LEGAL DEBT MARGIN		<u>\$ 18,257,391</u>

¹Act 279, Public Acts of Michigan, 1909, as amended, provides that the net indebtedness of the City shall not exceed 10 percent of all assessed real and personal property in the City.

²Bonds which are not included in the compilation of legal debt margin according to Act 279, Public Acts of Michigan, 1909, are:

- a. Special Assessments Bonds
- b. Mortgage Bonds
- c. Motor Vehicle Highway Funds Bonds
- d. Revenue Bonds
- e. Bonds issued, or contracts or assessments obligations, incurred to comply with an order of the Water Resources Commission or a Court of Competent Jurisdiction
- f. Other obligations incurred for water supply, sewage, drainage or refuse, disposal projects necessary to protect the public health by abating pollution

CITY OF ESCANABA, MICHIGAN

Table 7
(unaudited)

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2004

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City of Escanaba</u>	<u>Amount Applicable to the City of Escanaba</u>
City of Escanaba ¹	\$ 4,859,378	100.00%	\$ 4,859,378
Escanaba Area Public Schools	20,190,000	43.87	8,857,504
Delta-Schoolcraft Intermediate School District	-	19.19	-
Bay de Noc Community College ²	7,415,000	24.81	1,839,731
Delta County ³	<u>10,415,000</u>	24.81	<u>2,584,059</u>
TOTALS	<u>\$ 42,879,378</u>		<u>\$ 18,140,672</u>

Source: City of Escanaba Assessor's Department

¹Net bonded debt outstanding includes only bonded debt to be repaid with property tax proceeds. Not included for purposes of this schedule is any debt: (a) to be repaid out of Utility Fund proceeds or (b) non-bonded debt.

²Net bonded debt outstanding does not include outstanding revenue bonds, used for the construction of the College's dormitories, as this debt is to be repaid with rental payments.

³Net bonded debt does not include general obligation limited tax notes, to be repaid with delinquent property tax collections nor does it include any notes payable, secured by airport property.

WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			
					Principal	Interest	Total	Coverage
1995	\$ (29,751)	\$ 156,585	\$ 16,532	\$ 143,366	\$ 75,000	\$ 16,532	\$ 91,532	1.57
1996	(4,726)	157,920	11,375	164,569	100,000	11,375	111,375	1.48
1997	(10,893)	164,289	6,250	159,646	100,000	6,250	106,250	1.50
1998	49,183	160,659	1,250	211,092	100,000	1,250	101,250	2.08
1999	(31,400)	182,155	-	150,755	-	-	-	n/a
2000	(38,860)	186,192	-	147,332	-	-	-	n/a
2001	(43,563)	202,305	-	158,742	-	-	-	n/a
2002	(58,514)	212,305	-	153,791	-	-	-	n/a
2003	(4,677)	192,696	22,275	210,924	-	22,275	22,275	9.47
2004	(20,042)	208,464	59,311	247,733	-	59,311	59,311	4.18

WASTEWATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest and Fees on DPW Bonds ¹	Interest on Revenue Bonds ²	Income Available for Bond and Interest Redemption	Debt Service Requirements			
						Principal	Interest and Fees	Total	Coverage
1995	\$ 93,096	\$ 172,089	\$ 4,743	\$ 56,624	\$ 326,552	\$ 205,000	\$ 61,367	\$ 266,367	1.23
1996	129,172	175,565	2,391	46,913	354,041	207,092	49,304	256,396	1.38
1997	144,957	176,699	1,500	36,588	359,744	160,000	38,088	198,088	1.82
1998	302,260	181,542	-	28,750	512,552	160,000	28,750	188,750	2.72
1999	165,744	186,022	-	25,740	377,506	60,000	25,740	85,740	4.40
2000	109,017	217,652	-	45,447	372,116	100,000	45,447	145,447	2.56
2001	38,661	231,876	-	40,221	310,758	104,338	40,221	144,559	2.15
2002	(26,028)	205,555	-	38,025	217,552	105,000	38,025	143,025	1.52
2003	39,205	206,763	-	35,825	281,793	105,000	35,825	140,825	2.00
2004	(93,038)	201,739	-	33,466	142,167	115,000	33,466	148,466	.96

¹These bonds were issued by the Delta County Board of Public works, under the provisions of Act 185, Public Acts of Michigan, 1975. Under terms of a contract dated September 3, 1970, the City of Escanaba is obligated to make payments to Delta County in an amount sufficient to cover annual bond principal maturities and semi-annual interest payments.

²These bonds include 1982 Revenue Bonds and 1994 DNR/MMBA Bonds.

CITY OF ESCANABA, MICHIGAN

Table 10
(unaudited)ELECTRIC UTILITY
COMPARATIVE STATISTICAL INFORMATION

For the Years Ended June 30, 2004 and 2003

	Year Ended June 30,		Year Ended June 30,	
	2004	2003	2004	2003
	Number of KWH		Per KWH	
OPERATING REVENUES:				
Residential sales	34,808,742	34,745,292	.073105	.073856
Hot water sales	533,548	586,220	.062421	.067560
Electric heat	639,043	710,849	.062763	.063607
Commercial sales	50,111,121	51,748,242	.067317	.066815
Industrial sales	54,180,972	50,455,985	.056022	.054941
Municipal	6,602,989	6,597,532	.064209	.064757
Dusk to Dawn	569,359	584,037	.082377	.082433
Street lighting	1,969,207	1,976,482	.055748	.055624
Dispatching	7,778,000	8,577,000	.076484	.086292
TOTAL OPERATING REVENUES	<u>157,192,981</u>	<u>155,981,639</u>	<u>.064903</u>	<u>.065431</u>
OPERATING EXPENSES:				
Production	163,323,967	159,310,822	.052696	.049240
Transmission/Distribution/Services			.002078	.002262
Administration/General			.004479	.003915
Provision for depreciation			.005232	.004034
Taxes paid to General Fund			.000000	.000000
General Fund Administration and Collection			.003106	.003004
Unaccounted for	(6,130,986)	(3,329,183)	.002637	.001333
TOTAL OPERATING EXPENSES	<u>157,192,981</u>	<u>155,981,639</u>	<u>.070228</u>	<u>.063788</u>
Operating income			(.005325)	.001643
Miscellaneous income			.004516	.001041
Interest earnings			.002434	.007618
TOTAL OPERATING AND OTHER INCOME			<u>.001625</u>	<u>.010302</u>
Contributions to Other Funds			<u>.003490</u>	<u>.003328</u>
NET INCOME			<u>(\$.001865)</u>	<u>\$.006974</u>
	Year Ended June 30,			
	2004	2003		
TOTAL NUMBER OF SERVICES:				
Residential	5,950	5,951		
Hot Water	220	231		
Heating	38	39		
Commercial	1,113	1,123		
Industrial	21	21		
Municipal	103	105		
AVERAGE KILOWATTS PER SERVICE:				
Residential	5.850	5.839		
Hot Water	2.425	2.538		
Heating	16.817	18,227		
Commercial	45.023	46,080		
Industrial	2,580,046	2,402,666		
Municipal	64,107	62,834		
AVERAGE REVENUE PER SERVICE:				
Residential	\$ 428	\$ 431		
Hot Water	\$ 151	\$ 171		
Heating	\$ 1,055	\$ 1,159		
Commercial	\$ 3,031	\$ 3,079		
Industrial	\$ 144,540	\$ 132,005		
Municipal	\$ 4,116	\$ 4,069		

CITY OF ESCANABA, MICHIGAN

Table 11
(unaudited)

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.</u>	<u>Population¹</u>	<u>Per Capita Income¹</u>	<u>K-12 School Enrollment²</u>	<u>Unemployment Rate³</u>
1995	13,600 (estimate)	\$17,601	3,847	9.7
1996	13,556 (estimate)	Not available	3,766	8.3
1997	13,556 (estimate)	Not available	3,852	7.5
1998	13,280 (estimate)	Not available	3,787	6.5
1999	13,280 (estimate)	Not available	3,660	6.4
2000	13,140	\$17,589	3,522	6.2
2001	12,970 (estimate)	Not available	3,390	7.3
2002	12,840 (estimate)	Not available	3,329	7.7
2003	12,778 (estimate)	Not available	3,239	8.9
2004	Not available	Not available	3,102	7.5

Sources:

¹Bureau of Census and U.S. Department of Commerce.

²Escanaba Area Public Schools (Note: enrollments include students from outside the City of Escanaba)

³Michigan Employment Security Agency (Note: includes total Delta County area; figures on a calendar year basis, except 2004, which is through October, 2003)

CITY OF ESCANABA, MICHIGAN

Table 12
(unaudited)

PRINCIPAL TAXPAYERS

Fiscal Year Ended June 30, 2005¹

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Rubloff Delta LLC	Shopping Center	\$4,217,653	1.85
Wal-Mart Stores Inc. #2522	Retail Sales	3,456,633	1.52
Dagenais Real Estate Inc.	Commercial Real Estate	3,447,484	1.51
UP Enterprises LLC	Commercial Real Estate	2,576,999	1.13
Northland Centers	Retail Sales	2,262,933	0.99
Shopko Properties Inc. #016	Retail Sales	1,937,868	0.85
Bell, Walter and Camille	Motel	1,809,503	0.79
Elmer's County Market	Food Sales	1,674,923	0.73
Wells Fargo	Banking	1,546,150	0.68
Bosk Properties	Commercial Real Estate	1,429,595	0.63

Source: City of Escanaba Assessor's Department

Note: This table does not include I.F.T. certificates.

¹Valuation as of 12/31/03 becomes the "2004 Taxable Valuation." This value is used to compute City property taxes for July 2004, which finances City operations through the fiscal year ended June 30, 2005.

MISCELLANEOUS STATISTICS

June 30, 2004

Date of incorporation	1883
Form of government - since 1922	Council-Manager
Area	12.81 square miles
Miles of streets	83.01 miles
Miles of paved roads	79.04 miles

PUBLIC SAFETY - JOINT POLICE/FIRE PROTECTION

Number of stations	1
Number of public safety officers and dispatchers	42

ELECTRIC DEPARTMENT

Capacity	41.0 megawatts
Peak use during fiscal year	28.06 megawatts

WATER DEPARTMENT

Number of accounts	5,545
Average daily consumption	2,000,000 gallons/day
Pumping capacity	7,500,000 gallons/day
Storage capacity	2,000,000 gallons
Design capacity	8,000,000 gallons/day
Miles of water mains	76.45 miles

WASTEWATER DEPARTMENT

Average daily treatment	1,800,000 gallons/day
Design capacity	2,200,000 gallons/day
Treatment	Activated sludge process
Miles of sanitary sewer	77.20 miles
Miles of storm sewers	48.61 miles

CULTURE AND RECREATION

Public Library:	
Volumes	72,538
2003-04 circulation	110,800
Number of registered users	10,975
Parks and recreation areas	412 acres
Recreation buildings	1
Outdoor skating rinks - natural ice	3
Softball/baseball fields	8
Outdoor band shell	1
Basketball courts - indoor and outdoor	23
Tennis courts	13
Marina	165 berths
Public boat launches	2

CITY OF ESCANABA, MICHIGAN

Table 14
(unaudited)

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

As of June 30,	Population ¹	Taxable Value ²	Gross Bonded Debt ³	Less Debt Payable from Enterprise Funds ⁴	Less Industrial Development Bonds	Net Bonded Debt	Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
1995	13,600 (est)	\$150,826,750	\$ 9,564,014	\$ 1,972,092	\$ 4,455,000	\$ 3,136,755	2.08%	230.64
1996	13,556 (est)	155,360,995	10,583,134	1,665,000	4,455,000	4,463,134	2.87%	329.23
1997	13,556 (est)	163,600,946	5,769,199	1,405,000	-	4,364,199	2.67%	321.94
1998	13,280 (est)	172,900,056	5,563,894	1,253,000	-	4,310,894	2.49%	324.62
1999	13,280 (est)	181,305,217	6,180,629	1,983,629	-	4,197,000	2.31%	316.04
2000	13,140	189,436,389	6,770,338	2,058,338	-	4,712,000	2.49%	358.60
2001	12,970 (est)	194,629,377	7,091,500	1,942,000	-	5,149,500	2.65%	397.03
2002	12,840 (est)	204,811,766	6,816,540	1,825,000	-	4,991,540	2.44%	388.75
2003	12,778 (est)	214,173,877	8,813,732	3,954,354	-	4,859,378	2.27%	380.29
2004	12,778 (est)	219,221,148	8,888,503	4,331,000	-	4,557,503	2.08%	356.67

Sources:

¹Bureau of Census, U.S. Department of Commerce. Where actual or estimate not available, previous available population utilized.

²From Table 4

³Does not include non-bonded debt secured on equipment

⁴Includes 1993 MMBA State RLF Wastewater Utility Bonds and DDA Revenue Bond.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

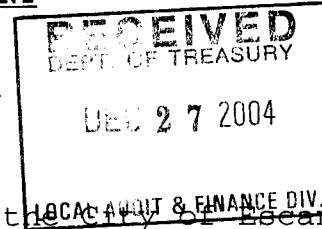
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

REPORT TO MANAGEMENT

Honorable Mayor, Members of the City Council,
and City Manager
City of Escanaba, Michigan



We have audited the financial statements of the City of Escanaba for the year ended June 30, 2004, and have issued our reports thereon dated October 13, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U. S. Generally Accepted Auditing Standards and OMB Circular A-133

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered the City of Escanaba's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Escanaba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Escanaba's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Escanaba's compliance with those requirements.

Honorable Mayor, Members of the City Council,
and City Manager
City of Escanaba, Michigan

Our Responsibility under U. S. Generally Accepted Auditing Standards and
OMB A-133 - continued

While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Escanaba's compliance with those requirements.

As part of our audit, we considered the internal control structure of the City of Escanaba. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the City of Escanaba are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the City of Escanaba during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our

Honorable Mayor, Members of the City Council,
and City Manager
City of Escanaba, Michigan

satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Escanaba or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the City of Escanaba, Michigan, for the year ended June 30, 2004, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 13, 2004, on the financial statements of the City of Escanaba.

We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the City Council, the management of the City of Escanaba and applicable State and Federal grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

October 13, 2004

CITY OF ESCANABA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

June 30, 2004

BUDGET NONCOMPLIANCE

During the year the City has not complied with certain provisions of the Michigan Uniform Budgeting and Accounting Act. Items of noncompliance are as follows:

The following functions in the General Fund were overspent:

LAN Administrator	\$10,866
Rental Property	4
Boat Launches	223
Band	570

The following Special Revenue Fund was overspent:

Drug Law Enforcement Fund	\$2,287
---------------------------	---------

We recommend that the City continue to monitor the budget to comply completely with the Michigan Uniform Budgeting and Accounting Act.

DISBURSEMENT SYSTEM

During our audit we noted four disbursements (out of a sample of forty) that had no purchase order approval. We recommend that all transactions that require purchase order approval have that approval prior to purchase.

OUTSTANDING CHECKS

The Wells Fargo general checking and savings account has several old outstanding checks. Some of these checks date back to 1997. We recommend that these checks be investigated and escheated to the state, if appropriate.

UPSET FUNDS

The City operates as a depository for UPSET forfeiture funds. There is little, if any, ability for the City to determine the accuracy of funds received. There is also very little City control over the expenditure of these funds. We recommend that the need of the City's involvement be researched, and that these funds be turned over to UPSET's control, if appropriate.

BOAT LAUNCH FEE SYSTEM

The City has implemented a new fee collection system for the boat launches. The tickets are pre-numbered and are issued using an honor system with fees collected in envelopes and deposited on site. Presently the numerical sequencing of the tickets is not monitored. We recommend that a log of the ticket numerical sequencing be maintained and monitored

CITY OF ESCANABA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

June 30, 2004

BOAT LAUNCH FEE SYSTEM (continued)

to determine the accuracy of ticket usage and collection. We also recommend that each days ticket receipts be kept segregated, by day, and dated so as to match the daily deposit information that goes to the City Treasurer.

ACCOUNTS RECEIVABLE

During our audit we noted several receivables that are quite delinquent. We recommend that these delinquent receivables be reviewed to determine collectability. If they are not collectable we recommend that the City write the receivable off so as to more clearly define the total receivable balance.

PAYROLL SYSTEM

Three time cards (out of a sample of forty) contained no supervisory approval. We recommend that all time cards be reviewed by a knowledgeable supervisor and that the review and approval be noted on each time card.